





"2012 marked a watershed moment in the history of formation and development of SHB. Within 2013, SHB will look forward to celebrating the 20th anniversary of our founding. During almost 20 years of construction and development, SHB is strongly growing, affirming our reputation and position in the domestic banking sector as well as expanding to the region in order to increase the bank's strength to overcome all difficulties to continue to firmly develop and open up a bright future."



SHB - Solid partners, flexible solutions!



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Mr. Do Quang Hien
Chairman of the Board of Directors

Ladies and Gentlemen

2012 was unquestionably a difficult year for the world and domestic economy, a challenging year for the banking industry. Nevertheless, under the close guidance of the Board of Directors, the Board of Management and thanks to the determination of all employees as well as the supports from our shareholders and customers, SHB have succeeded to realize our business plan, and also seized a new position in the market as the foundation for future success.

Focusing on the target of bringing SHB to become a leading multi-functional modern retail bank by 2015, during operation, the Board of Directors of SHB always determine a business strategy that is the most appropriate for each period. We take a long-term strategic view of soundness and sustainability and aim to improve the bank's competitiveness by creating differentiation.

A critical turning point in the development history of SHB took place in 2012 when we successfully acquired Habubank. After the issuance of 405 million new shares for this purchase, SHB has risen to the top 10 of largest commercial joint stock banks in Vietnam with a chartered capital of over VND 8,800 billion, total assets of VND 116,000 billion at the end of 2012. The Bank's operation network has been expanding to almost 320 branches and sub-branches and total number of employees reached nearly 5,000 people. The acquisition deal, which was conducted in accordance with the laws and completed in a short time period and at reasonable costs, affirms that SHB reputation and prestige have been highly appreciated by our customers, partners, domestic and international financial organizations and regulators. Moreover, it is absolutely consistent with our growth orientation.

Together with the acquisition of HBB, our bank has made great effort to restructure the institution by continuing to complete segregation of duties and specifying roles of each division, department and position in order to improve capacity, efficiency and accountability of each unit and each title in the whole bank. At the same time, the Board of Directors frequently led the conduct of review, amendment and completion of the Bank's policies, regulations and operational procedures to ensure that they are

consistent with SHB strategic targets and business practices from time to time aiming to improve management capability and be in compliance with applicable laws and regulations and the Bank's charter.

Over the past year, SHB has implemented the strategy of network expansion to overseas markets by opening two branches in Cambodia and Laos. The operations of these two branches, which will be upgraded into two subsidiaries of SHB in this year, have realized our long-term strategy of diversification of markets and enhancement of business efficiency. After nearly one year since opening, SHB's overseas branches have done good business.

With the best efforts and determination of the whole bank from the Board of Directors, the Board of Management to employees, SHB is proud of achievements and public recognition gained in 2012, including the awards that were presented by the Government, the People's Committee of Hanoi Capital City, the State Bank of Vietnam and other reputational domestic and international awards.

Ladies and Gentlemen,

We can say that the most difficult times for the Bank after acquiring HBB had passed. The loss of HBB was set off in 2012 while the recovery of non-performing and overdue loans has been primarily boosted with a number of drastic, diversified and efficient solutions. In 2013, SHB will start to concentrate on exploiting the advantages obtained after successfully conducting the acquisition of HBB. Indeed, the Bank now has large scale of capital, its market and business network have been enlarged and customer base thus has been significantly expanded. With a human resource that has been supplemented by a lot of professional staffs, we are pleased to provide our customers with diversified, high-quality and competitive products and services. Therefore, SHB is predicted to achieve tremendous business growth in 2013 and the following years. For the year of 2013, SHB set the target of income from fees and commission accounting for 20%-30% of total income. Credit growth shall stand at an appropriate level to ensure capital adequacy and minimize the occurring of non-performing and overdue loans.

Following achievements and high business performance in 2012, entering into 2013, the Board of Directors of SHB shall continue joint-efforts, exercise our roles and duties effectively and fulfill our responsibilities to continuously improve governance capacity and professionalism in operation and strengthen risk control and management. We believe in the successful realization of the 2013 business plan, bringing the bank up to a whole new level that meets the trust and expectations of our shareholders and investors.

On behalf of the entire Board of Directors, Supervisory Board and Board of Management of SHB, I would like to express sincere gratitude to the state regulators, our shareholders, customers and partners who have supported us in the past years. I hope to continue to receive your support and companionship in the future.

We wish all of you good health, happiness and success!

SAIGON - HANOI COMMERCIAL JOINT STOCK BANK



Chairman of the Board of Directors **Do Quang Hien**



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1. Overview

Transaction name:

Saigon – Hanoi Commercial Joint Stock Bank

Business Registration Certificate No.

1800278630 issued by the Hanoi Department of Planning and Investment, the 21st amendment was made on October 29, 2012.

Chartered capital: 8,865,795,470,000 VND

Address: 77 Tran Hung Dao, Hoan Kiem, Ha Noi

Tel: 04.3 942 3388

Fax: 04.39410944

Website: www.shb.com.vn

Stock code: SHB

2. Establishment and development

Saigon - Hanoi Commercial Joint Stock Bank (SHB), formally known as Nhon Ai Rural Commercial Joint Stock Bank, was established in 1993 with chartered capital of VND 400 million and total asset of VND 1,100 million. The Bank's network started with one head office located in Can Tho province and 8 people as the Bank's staff.

2006 marked an important turning point in the history of establishment and development of the Bank after having approval from SBV for Nhon Ai Rural Commercial Joint Stock Bank to change its business model to become an Urban Commercial Bank and to change its name into current name Saigon – Hanoi Commercial Joint Stock Bank (in abbreviation as SHB). Since then, Vietnam Coal and Mineral Group (Vinacomin) and Vietnam Rubber Group (VRG) have been the Bank's strategic shareholders, and T&T Group has been one of its biggest shareholders.

2007

SHB increased its chartered capital from VND 500 billion to VND 2,000 billion affirming significant changes in the Bank's scale, position and potential capability.

2008

SHB moved its head office from Can Tho to Hanoi capital city.

2009

SHB was the third Vietnamese commercial joint stock bank officially listing 200 million shares on Hanoi Stock Exchange with stock code "SHB". This has asserted the financial transparency, safe and sustainable growth of the Bank. $% \label{eq:bank} % \label{eq:bank}$

2010

SHB successfully issued 150 million shares raising the Bank's chartered capital to VND 3,497.5 billion (USD 185 million) and officially launched the new Intellect Core Banking system and the new SmartVista Card Technology system.

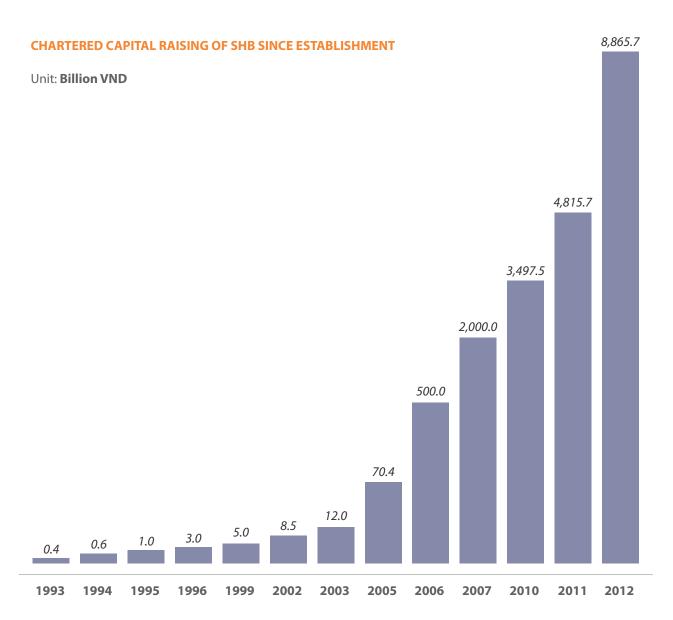
2011

SHB continuously increased its chartered capital to VND 4,815.8 billion (USD 231 million) after successfully converting VND 1,500 billion of convertible bonds into shares. The Bank was also honored to receive the Third Class Labor Medal presented by the President of Vietnam and the Merit from the Governor of State Bank of Vietnam

2012

The year marked a milestone in SHB history of establishment and development. Aiming to expand the Bank's size, scale, network and competitiveness at the lowest cost, SHB acquired Hanoi Building Commercial Joint Stock Bank (Habubank) to become one of the largest commercial banks in Vietnam. At the same time, SHB has realized the strategy of overseas expansion through the opening of overseas branches in Laos and Cambodia. Also in 2012, SHB was rated at A-ratings by the State Bank of Vietnam (SBV), and classified by the SBV in Group I of banks, the highest group among the 4 classified groups with the highest quota of credit growth limit

On the way of development, SHB has received merits and awards presented by a number of domestic and international organizations, including the Third Class Labor Medal, Certificates of Merit and Emulation Flags of the Government, the State Bank of Vietnam and the People's Committees of cities and provinces where SHB's branches are located, the "Best Trade Finance Bank in Vietnam" for the three consecutive years of 2009, 2010 and 2011 awarded by the Global Finance (USA), the "Best Trade Finance Bank in Vietnam" in 2010 by the Finance Asia (Hongkong), the "Bank of the Year in Vietnam" in 2010 and 2012 by the Banker under the Financial Times Group (UK), the "Best Core Banking Implementation in Asia" in 2011 by the Asian Banker (Singapore), the "Excellent International Payment Service Quality" for the three consecutive years of 2010, 2011 and 2012 awarded by Wells Fargo Bank (USA) and Bank of New York Mellon (USA); Strong brand name for 6 consecutive years from 2007 to 2012; Vietnam's famous brand for many consecutive years; Top 500 Vietnamese largest corporation (VNR 500) with ranking increasing over years; etc.



3. Business activities and location

Main business activities

Mobilizing and taking short, medium and long term deposits from organizations and individuals; Providing short, medium and long term loans to organizations and individuals; Performing foreign exchange businesses, international trade finance, discounting commercial papers, bonds and other valuable papers; Trading gold in accordance with legal regulations; Factoring.

Business location

SHB is present in 25 provinces and cities all over Vietnam: Hanoi city, Ho Chi Minh city, Quang Ninh, Dong Nai, Da Nang, Can Tho, Binh Duong, Nghe An, Hai Phong, Khanh Hoa, Lang Son, Gia Lai, Vung Tau, An Giang, Lam Dong, Quang Nam, Hung Yen, Kien Giang, Lao Cai, Bac Ninh, Thanh Hoa, Hue, Binh Phuoc, Long An, Vinh Phuc.

In abroad: Laos PDR, The Kingdom of Cambodia.

4. Corporate governance model, business organization and management structure

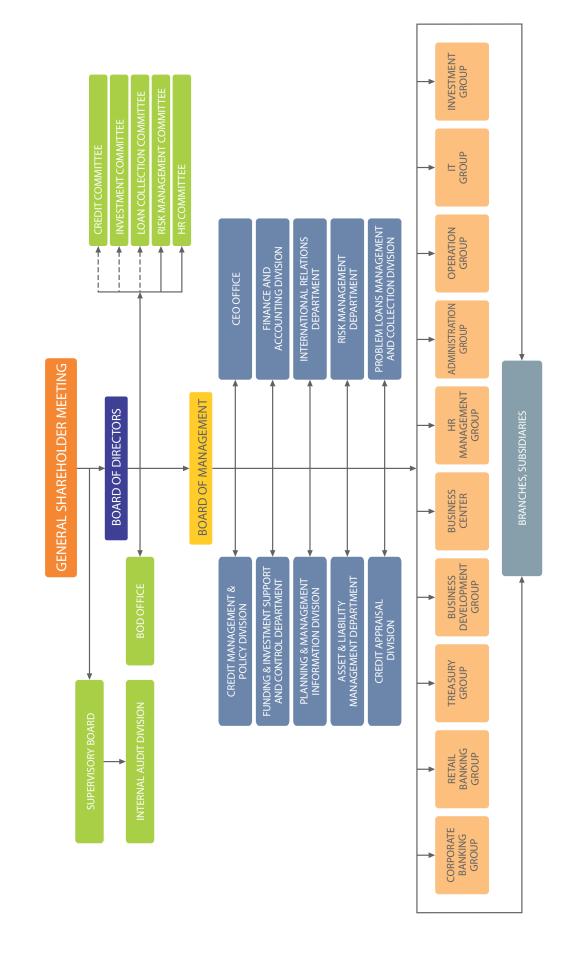
Corporate Governance model

SHB has completed an organizational structure according to a new modern model which is streamlined, coherent and optimal, consistent with development strategy of the Bank. SHB has focused on maximizing the capacity of each unit and create coordination among units with the most efficiency throughout its system.

Business organization and management structure

Regarding the organizational structure, SHB has planned to follow a modern Group model operating following divisions in order to concentrate on effective resources, ensure convenience, effectiveness and safeness in governance and administration.

ORGANIZATIONAL STRUCTURE SAIGON – HANOI COMMERCIAL JOINT STOCK BANK







SHB Loan Management and Asset Development One Sole Member Company Limited

Address:

3rd Floor, 71B Hang Trong, Hoan Kiem, Ha Noi

Main business sectors:

Loan Management and Asset Development

Chartered Capital: VND 20 billion

Paid-up capital by SHB: VND 20 billion

Holding rate: 100%



SHB Securities Company (SHBS)

Address:

2C Van Phuc, Kim Ma, Ba Dinh District, Ha Noi

Main business sectors:

Financial and Securities services - Brokerage, trading, investment advisory, underwriting, securities depository

Chartered Capital: VND 150 billion

Paid-up capital by SHB: VND 147.71 billion

Holding rate: 98.47%

GENERAL INFORMATION



5. Development Orientations

Key targets for 2013

SHB shall become a Top 8 bank in Vietnam and a Top 5 private-owned bank in Vietnam with largest size in all business terms in 2013.

Key target in 2013: Improving governance and management of the whole bank system from the Head office to all business units in consistency with the bank's development strategy and practices of Vietnamese banking sector and international standards.

Critical and priority mission in 2013 is concentrating on collection of overdue loans and non-performing loans, increasing pre-, at- and post-lending control to minimize newly arising overdue loans and non-performing loans, increasing credity quality to reach the non-performing loan ratio target of 5% of total loans by the end of 2013.

Increasing the system management role of Groups, Centers and Departments of the Head Office over departments of Business Units under the vertical management structure to enhance business management quality.

Developing and enhancing Marketing activities, conducting market and customer research for different areas and customer segments.

Increasing market share in main business lines: customer deposit, customer loan, gold trading, domestic and international cards, and other retail banking services and utilities that are high competitive.

Following the bank's development strategy that is appropriate from time to time, making a difference on the market to realize the 2015 vision when SHB shall become a leading multi-functional modern retail bank in Vietnam.

Restructuring the human resource team to be more compact and efficient in order to reduce the management expenses and operating costs.

Concentrating on training activities by organizing a number of internal training courses, advanced training courses, internal workshops to enhance the quality of human resource and meet the demand for business development of SHB.

Improving staff's productivity, rising average profit/employee by assigning business targets to each business unit and each employee in the system; Issuing policies and regulations on rewarding and disciplining clearly aimed to improve business performance.

Focusing on inspection, strict control of risk across all business areas of SHB. Every business process is built with controls before and after the arising business operations. Apply strong sanctions to violations of employees while performing their assigned tasks in order to minimize possible risks in the Bank's operations. Special attention is made to management and education of staffs to limit staff's moral hazard.

Making cost cuts, tightening management cost control on the basis of assigning management targets to each business unit and employee in the system in order to save costs and improve efficiency of SHB's business operations.

Preparing competitive business plan with the goal of "competition by differentiation" for each banking product and service to suit each stage in the financial year on the basis of sustainable, safe and effective business development.

Continuing to expand network in the domestic market and upgrading SHB Laos and SHB Cambodia Branches to One Sole Member Limited Liability Banks 100% owned by SHB; In addition, opening more overseas branches in other countries in the region.

Improving the proportion of income from service by diversified, convenient, competitive and packaged banking services and products based on the modern IT platform, in order to offer to customers the highest quality banking products and services.

Focusing to increase Customer Deposits at longer terms to restructure funding terms to match the demand for fund use, at the same time to ensure stable and sustainable growth of funds to finance business activities. Increasing the proportion of Deposits from Individual Customers in Total Customer Deposits, it is

planned that the proportion will reach 70% at the end of 2013.

Boosting the development of cross-selling of retail banking products and services such as: Domestic Cards, International MasterCard Credit Cards. At the same time, boosting remittance payment by maximizing the exploitation of potential areas for remittance service in Hanoi, Ho Chi Minh City, the Mekong River Delta and the South Eastern provinces. Besides, development will be focused on customers with high needs for remittance payment, such as students, exported laborers, Vietnamese overseas people, foreign students, etc.

Focusing and promoting the role of the Bank as a serving bank for ODA projects of the international financial organizations serving key country's projects and SMEs' businesses in order to enhance business performance and profession.

Increasing gold trading business by launching gold-bullion trading services in 100% of SHB branches and transaction offices to obtain fast-growing service income.

Elevating international relations, enhancing the Bank's position in the overseas markets, promoting SHB brand name in the regional and international markets.

Building "SHB Culture", creating professional and effective working culture and environment; at the same time to confirm SHB's distinctive brand name and corporate culture.





Strategy for medium and long-term development

SHB's medium and long term strategy is to become a leading modern multifunctional retail bank in Vietnam by 2015 and vision 2020 to become a leading financial holding group. In implementation of this strategy, SHB has always focused on developing new and modern banking products and services in order to diversify its product and service mix by creating packages with advanced and specialized facilities, and also catching up with general trends of the Vietnamese and the world financial industry. Modern information technology has been applied in governance, product and service development and risk management and expanding the operation to the international market.

SHB business strategy is "competition by differentiation", to make the best use of investment opportunities in the market. Indeed the bank has set a clear and long-term strategic plan, proactively forecasted and made appropriate adjustments according to changes in the market to ensure competitiveness and to make difference. The modern IT platform, the young, professional and enthusiastic employee team, and the unity within the management have created tremendous strength for SHB.

The environmental, social and community objectives of the Bank

Nuturing the "SHB culture", creating a professional and

efficient working environment and also affirming the reputation and distinctive qualities of SHB.

Beside concentrating on business activities to contribute to the national economy, SHB has also focused on social works to contribute to the development of the community and considered it as an indispensable factor in sustainable development, as well as shared the responsibility with the community and society.





Domestic and international awards

After almost 20 years of construction and growth, SHB has received both domestic and international merits and awards that recognize the contribution of SHB to the development of the society in general and to the safe and sustainable growth of the Bank in particular.

- Domestic awards:

- +The Third Class Labor Medal presented by the President of Vietnam;
- + Certificates of Merit from the Prime Minister in continuous years;
- + Certificates of Merit from the Governor of State Bank of Vietnam in many years;
- + A Rating by the State Bank of Vietnam in 05 continuous years;
- + Strong Brand Award in 06 continuous years from 2007 2012;
- + Vietnamese Famous Brand Name in many years;
- +Top 500 Vietnamese largest corporation (VNR 500) with ranking increasing over years;
- $+\,A\,number\,of\,other\,reputed\,merits\,and\,awards\,in\,domestic.$

-International awards:

- + Bank of the Year in Vietnam awarded by The Banker magazine of The Financial Times Group (UK) in many years;
- + Best Trade Finance Bank in Vietnam awarded by the Global Finance for many consecutive years;
- + Best Core Banking Implementation in Asia awarded by The Asian Banker;
- + Excellent International Payment Service Quality;
- + Century International Quality Era Award Gold CUP
- +Top 1,000 World Banks ranked by The Banker;
- + A variety of other reputed awards in international.

Risks

The first uncertainty is the influence from challenges of global economy. The world economy in 2013 is forecasted to continue facing difficulties, complex and potential uncertainties; slow recovery in global trade shall affect the world economy growth that is predicted to be not much higher than in 2012.

Domestic economy has also posed several risks including slow economic growth, possible return of inflation, delayed improvement of bad debt situation, long-lasting frozen real estate market, and high level of inventory due to the declining aggregate demand.

The main risk with credit institutions in general and SHB in particular comes from increasing non-performing loans that have remained in high level. The high non-performing loans have threatened credit institutions' safety, health and efficiency, also become an obstacle to the development of macro economy.



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1. Business performance

1.1. Business performance results in the year

In 2012, SHB has made a remarkable growth in size. The Bank's financial indicators obtained high growth rates. Indeed total assets reached nearly VND 120,000 billion; Chartered capital reached around VND 9,000 billion; Total mobilized funds rose to VND 105,000 billion; Customer loans increased to approximately VND 57,000 billion. SHB thus is one of top commercial joint stock banks in Vietnam.

Besides, the extensive network of SHB in 2012 has quickly spread with total transaction points reaching 317, the number of employees increasing to nearly 5,000 people. The number of the bank's products and services has also increased significantly.

As of 31/12/2012, SHB reported positive business results for the whole year, ensuring benefits and returns of its shareholders as planned in the HBB Acquisition Plan and Resolutions of the General Shareholder Meeting.

1.1.1 Achievements reached in the year

a. Human resource and training

Regarding organizational structure: SHB has improved its organizational apparatus under the Group model to ensure smooth, safe and efficient governance and operation in accordance with the development strategy of Bank.

In 2012, SHB has built new and complete functions and

duties of all departments from business and management to support units at headquarters and branches in order to maximize the capacity of each unit and create synergies and efficiency of the entire Bank.

Employees are well trained in professional ethics, knowledge and expertise to provide the best service to customers. SHB's corporate culture has been created and trained to every employee. SHB has also fully equipped its employees with knowledge, basic skills and advanced banking activities by internal and external training courses.

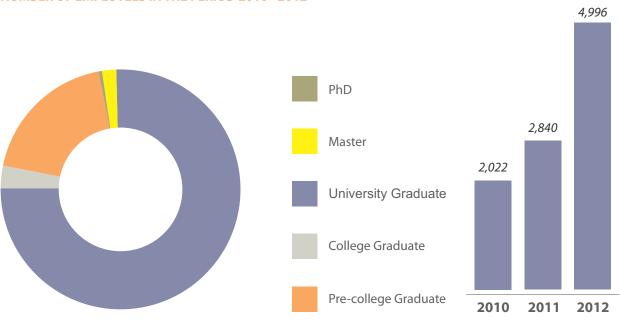
SHB has ensured full rights of employees on salary, bonuses, social insurance, health insurance and other benefits.

SHB has always focused on the quality of personnel, recruiting staffs with high standards of qualification, health and ethics.

SHB conducts human resource and development training through the application of technology in training including: online examination and e-learning, online post-training survey and quality assessment, training through videoconference, etc.

As of 31/12/2012, total number of employees of the Bank and its subsidiaries was 4,996 people, of which the number of employees having university degrees and post graduate degrees accounted for over 80% of the total number of employees, 20% were qualified with college diplomas, mostly belonging to SHB.AMC, a SHB's subsidiary.

NUMBER OF EMPLOYEES IN THE PERIOD 2010 - 2012



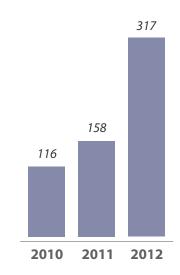
SHB NETWORK IN THE PERIOD 2010 - 2012

b. Network expansion

One of the factors which make SHB brand name to become close and intimate to customers is its extensive network covering the North, Middle and South. By network expansion and packaged services and products suitable to each customer segment and each geographic location, SHB was able to meet the diverse demands of customers and to satisfy customers.

Total number of transaction points of SHB country-wide as of 31/12/2012 was 317 points including 1 Head Office, 46 Branches, 270 transaction offices and saving counters in 25 provinces and cities country-wide and 02 overseas branches in Cambodia and in Laos.

Apart from that, SHB has two subsidiary companies, namely SHB Loan Management and Assets Development One Sole Member Limited Liability Company (SHAMC) and SHB Securities Joint Stock Company (SHBS).

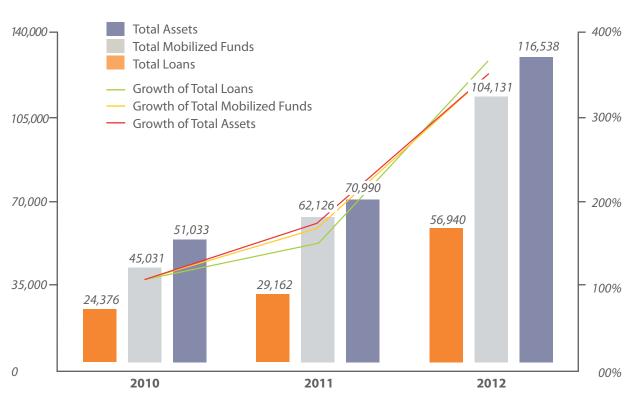


c. Key financial indicators

In 2012, SHB has made a lot of efforts to overcome macroeconomic challenges to increase its financial capacities and competitiveness. Although the effects of the acquisition of HBB were quite significant, SHB's financials have still reached high growth rates and basically have been realized as per the business plan. In the context that many other commercial banks could not realize their financial targets as per their business plans set out in the beginning of the year, especially profit targets, SHB has still been able to over-reach profit targets set out in the 2012 business plan.

TOTAL ASSETS, MOBILIZED FUNDS AND LOANS IN THE PERIOD 2010 -2012

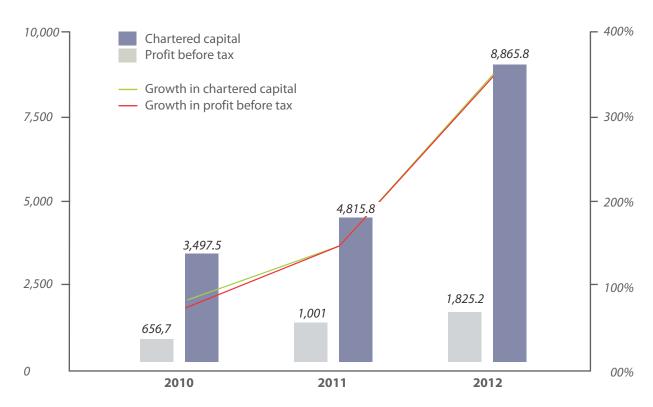
Unit: Billion VND



OPERATIONS IN THE YEAR

CHARTERED CAPITAL AND PROFIT BEFORE TAX IN THE PERIOD 2010 - 2012

Unit: Billion VND



(2012 Pretax Profit does not include accumulated loss taken over from HBB which was at VND 1,660.8 billion.

Total profit of the Bank in 2012 was VND 26.07 billion)

d. Liquidity

SHB's business always ensures prudential and sustainable growth over years. Capital adequacy ratio, solvency ratios of currencies and the ratio of using short term deposits to finance medium and long term loans always comply with the SBV's requirements.

	20	11	2012	
Indicator	SBV requirement (under Circular 13)	SHB actual	SBV requirement (under Circular 13)	SHB actual
Capital Adequacy Ratio (consolidated)	≥9%	13.37%	≥9%	14.18%
VND solvency ratio in the following day	≥15%	15.16%	≥15%	15.29%
VND solvency ratio in the following 7 days	≥100%	124.00%	≥100%	141.13%
USD solvency ratio in the following 7 days	≥100%	159.26%	≥100%	141.10%
Ratio of using short term funds to finance mid and long term loans	≤30%	12.86%	≤30%	18.42%

e. Funds mobilization and management

In 2012 the SBV continously decreased deposit interest rate cap from 14%/year down to 8%/year, which made interest rate of funds moblization from market I (customer deposit rate) sharply decrease. Apart from that, negative events happening in the banking sector led some bank into liquidity problems, which created a hidden deposit interest rate race among banks. Therefore, in order to realize the business plan of strong growth in customer deposit, since early 2012 SHB has issued a number of funds moblization products which are appropriate with characteristics of each geographic location, thus helped to grow deposit from individuals and economic entities, especially deposit from individuals have strongly increased compared with 2011.

Deposit from individual customers strongly grew and took a greater proportion in the bank's total customer deposit. By the end of 2012, the proportion of deposit from individual customers in total customer deposits was 65%. This has evidenced the stability and sustainability in fund growth of SHB.

f. Credit activity and credit risk management

Since the macro economy encountered a lot of difficulties, lending interest rates were still very high, especially in the early year, compared with acceptance level of companies, production and sales of goods and services of companies faced a lot of difficulties with high inventory and no sales output..., the economy's demand for credit has decreased. Although the SBV has issued a number of policies to encourage credit to the economy by decreasing deposit interest rate cap to aim at pulling down the lending rates, the banking sector still experienced very slow credit growth (credit growth rate of the banking sector in 2012 only reached 8.91%).

With the credit growth plan in mind, SHB adopted a competitive customer policy in terms of low lending interest rate, high service quality and diversified products, which enabled SHB's business units to grow credit. Therefore, SHB's credit in 2012 still grew strongly compared with end 2011.

In 2012, SHB has restructured its loan portfolio by sectors and focused on less risky sectors. Credit policies have been created for targeted customers segments: for personal customers, SHB targeted the customer base of middle income onwards, for corporate customers, SHB targeted export business, rural and agriculture, big corporations using many domestic and international banking services, which helped to increase loans to productive and export sectors, and at the same time SHB also limited itself from lending to un-encouraged sectors

by the Government. Loan growth to corporate customers in 2012 was at 101.86%, Loan growth to personal customers in 2012 was at 77.97%.

SHB has implemented a cautious policy of re-financing, constantly reviewed financial situation of each customer to adjust credit line extended to the customer in line with business performance and business plan of the customer in the context of remained difficult economy.

Pre-, at- and post- lending control have been both periodically and unexpectedly conducted by investigation teams from the Head Office independent from business units. This has helped to limit risks in credit activities, limit the arising of new overdue loans and new non performing loans in the context of difficult economy and increasing non performing loans in the banking sector.

g. International payment

In 2012, despite of facing with many difficulties due to impacts from the world and domestic economy, SHB's international payment growth rate was still very high.

With an extensive network of correspondent banks worldwide, SHB was able to offer quick and safe international payment and trade finance services to a larger number of customers in export and import sectors, especially export of agricultural and seafood products.

By late 2012, SHB had an extensive network of correspondent banks worldwide will total number of 380 correspondent banks in the Americas, Europe, Asia, Australias, Africa with big names such as City Bank, Bank of New York, Deutsche Bank, Korea Exchange Bank, Bank of China, Sumitomo Mitsui Banking Corporation, Wells Fargo Bank N.A, Bank of India, Danske Bank of Denmark,

In 2012 SHB launched for the first time Export Factoring service. The complete set of international payment services was also completed including 12 old products and 13 new products. Cross-border payments were also improved, helping to increase SHB's market share.

h.Product development

With the strategy to become a leading multi-functional modern retail bank, SHB has been designing diversified and modern banking products appropriate with demands and tastes of customers as well as in line with business plan of the bank.

In 2012, SHB issued many funds mobilization products and programs which were convenient and attractive to customers and appropriate with each geographic

OPERATIONS IN THE YEAR



location of each branch such as: Welcoming the Spring – Bring buds to home, Thankful to customers, Sending words of love... Therefore, customer's deposit has constantly increased, and the image and brand name of SHB has been well acknowledged by customers countrywide and thus SHB was able to take full use of its competitiveness in each geographic location of each branch. In newly opened overseas branches in Cambodia and Laos, SHB also issued the same list of saving products, internet banking products, and credit products.

Besides deposit products, in 2012 SHB also issued new loan products for individuals such as: Loans to prove financial capacity, making adjustments to home loan, car loan, study loan, etc.; and new internet payment products such as: "SHB in accompany with Pétrus Ký", "Online payment for telephone bills"; I-Diamond package of internet banking; new Mobile Banking Advance; new loan products for corporations such as: Discounting Bill of Exchange together with export documents under LC; preferential programs applied to Bill of Exchange discounting, etc.

Besides, SHB upgraded internet banking service by offering the iDiamond package with bank transfer limit of up to 1 billion dongs/day. Besides, SHB also launched Mobile Banking Advance version 2012 with many modern facilities applied to smart phones and tablets. SHB also offered account service of S-Business for corporate customers with many needed facilities.

With the competitive interest rate policies and diversified and convenient banking services, in 2012 SHB was able to strongly acquire and develop corporate and individual customers, using different banking services and products of SHB.

i. Banking Modernization

In 2012, SHB successfully applied all application software of SHB onto HBB systems (email, internal accounting, credit rating, User management, etc.). SHB also developed its IT systems to make SHB to become a modern multi-functional retail bank based on advanced IT platforms, including:

- Upgrading the existing network infra-structure of SHB towards division by functions to increase safety and network security.
- Setting up IT systems for Cambodia and Laos branches including infrastructure, network, core, other application.
- Launching ebanking via MobiBanking.
- Launching the system of acceptance and issuance of Chip EMVcards with direct connections to MasterCard international card organization.

In order to maximize the use of the CoreBanking and CoreCard systems to offer new banking services and products, the IT group has launched authentication method by PKI for VIP Personal customers.

Developing software programs to maximize the use of database to serve business activities, management of resources, risk monitoring – management, research – analysis – forecast; software to manage errors and mistakes done by SHB employees (operational risk management), gold keeping service, entrusted investment module, VNPT and FPT Telecom telephone charge payment services on e-banking, etc.

1.1.2. Major changes in business strategy, incomes, profits and costs...

To expand size, network and improve competitiveness at the lowest cost, SHB has conducted the acquisition of Habubank (a Vietnamese commercial joint stock bank having good brand-name and medium size) to bring SHB to become one of leading commercial banks in Vietnam. Through this M&A strategy, SHB has made a breakthrough compared to other banks in the market and overpassed its direct competitors.

Results obtained from acquisition of HBB: Taking over 1,528 employees from HBB bringing the total number of employees of the Bank up to 4,996 people by the end of the year; Taking over 20 branches and 117 transaction offices from HBB increasing the total number of transaction points of SHB by the end of the year to 44 domestic branches and 270 sub-branches and 02 overseas branches; Integrating the Core Banking System

of HBB into SHB to serve management, administration and statistical reporting requirements of SHB; Focus on solutions to reduce overdue loan ratios—and non performing loans ratio: Focus on recovery of overdue loans and non performing loans, loan restructuring, implement solutions to restructure companies, disposal of collaterals, solutions of financial advices and assistance in finding customers and markets; Minimize newly arising overdue loans and non performing. Therefore SHB's NPL as of 31/12/2012 fell to 8.8% compared to that of SHB after merger as of 30/09/2012 at 13.23%. The loss of SHB was fully set off immediately in 2012....

Also in 2012, SHB has successfully restructured the Binh An Seafood Joint Stock Company - Bianfishco. This was an old client of HBB, who had high bad debt, business losses and needed restructuring. After acquisition of HBB, SHB was directly involved in the process of restructuring of this company to maintain business operations, creating jobs for workers, and contributing to ensuring social security.

SHB has made many uniform solutions: repay to farmers, arrange with big creditors on loan freeze and reduction of interests, etc. to facilitate Bianfishco's recovery, reorganization of structure, building new regulations and rules, and tightened cost control. After a short period of restructuring since SHB participated, from a paralyzed plant site now Bianfishco has returned to normal production and exports hundreds of containers to markets in Europe, Japan and the Islamic countries and creates frequent jobs for hundreds of workers. In 2013, the company shall become one of good customers of SHB.

SHB total income in 2012 reached VND 11,182.2 billion, up 35.66% over 2011. Meanwhile, the total cost of SHB in 2012 was VND 9,357 billion (including deduction of provision reversal) up 29.21% compared to 2011. The growth rate of total income is greater than the growth rate of total cost, thus the profit before tax of SHB in 2012 (excluding accumulated loss of HBB taken over at merger) was VND 1,825.2 billion, up 82.34 % compared to 2011. However, since accumulated loss taken over from HBB at merger was VND 1,660.8 billion, remaining profit of the Bank in 2012 was only VND 26.07 billion. In the context that non performing loans of the whole banking sector were high, profits of many banks declined and were not realized as per business plans, SHB still made profits as per the business plan resoluted by the 2012 Annual General Shareholder Meeting (AGM).

Since SHB's overdue loans and non performing loans were made with sufficient provisions, SHB's profit will definitely be better in 2013 when the economy is beginning to recover. The recovery of bad loans will be included in the reversal of provision for credit losses of SHB, which will help to decrease provision costs (According to Decision No. 493/2005/QD-NHNN), thus will help to increase pretax profit of the Bank in 2013.

1.2. Realization compared with business plan

Unit: VND Billion

Indicators	Realized 31/12/2012	Growth 2012/2011		% realization compared
		(+/-)	%	with plan
Total assets	116,537.6	45,548.1	64.2%	97.11%
Chartered capital	8,865.8	4,050.0	84.1%	100%
Customer deposit	81,968.9	35,978.1	78.2%	105.09%
Customer loan	56,939.7	27,777.8	95.3%	117.40%
Profit before tax	1,825.2	824.2	82.3%	
Remaining profit of the bank (*)	26.07			130.35%
Npl ratio	8.80%			Completed
Car ratio	14.18%			Completed

(Source: Audited Consolidated Financial Statements in 2011, 2012) (* 2012 Pretax Profit excluding accumulated loss of HBB taken over at merger)

2.Organizational structure and human resource

Members of the Board of Management















1. Mr. Dang Trung Dung

Standing Deputy General Director

Born on June 01, 1974

Master in Economics of Finance, Money Circulation and Banking, Banking Academy; Bachelor of Economic Laws, Hanoi Law University;

17 years experience in Banking with different positions;

Former Director of Bac A Bank, Hanoi Branch;

From September 2006: Standing Deputy General Director, Saigon - Hanoi Commercial Joint Stock Bank.

3. Mr. Bui Tin Nghi

Deputy General Director

Born on July 08, 1960

Doctor in Finance and Banking, National Economics University in Hanoi; Advanced Politics, National Politics Academy – Hanoi Institute;

More than 30 years experience in Finance - Banking;

Former Deputy Director of Transaction Center of State Bank of Vietnam; Secretary of the Communist Party sub-Committee;

From June 2007 to current: Deputy General Director, Saigon – Hanoi Commercial Joint Stock Bank.

Percentage of share ownership: 0.009%

2. Mrs. Ninh Thi Lan Phuong

Deputy General Director, Chief Accountant

Born on October 12, 1974, Master in Economics

18 years experience in Finance - Banking;

From July 26, 2008 to June 11, 2012: Chief Accountant, Saigon – Hanoi Commercial Joint Stock Bank;

From June 11, 2012: Deputy Director General cum Head of Finance and Accounting Department, Saigon – Hanoi Commercial Joint Stock Bank.

Percentage of share ownership: 0.012%

4. Mrs. Ngo Thu Ha

Deputy General Director

Born on October 26, 1973, Doctor in Economics

19 years experience in Finance - Banking;

From March 15, 2011 to current: Deputy General Director cum Head of Planning and Management Information Department, Saigon – Hanoi Commercial Joint Stock Bank.

Percentage of share ownership: 0.005%

Percentage of share ownership: 0.096%

Born on July 18, 1973 in Can Tho, Master in Economics of Banking and Finance. Ho Chi Minh City University of Economics;

- More than 19 years experience of management in Finance Banking;
- Holding position of Chief Executive Officer of Nhon Ai Rural Commercial Joint Stock Bank (Saigon Hanoi Commercial Joint Stock Bank currently) from November 1998 to current.
- In continuous years, receiving merits from the Prime Minister, the Governor of the State Bank of Vietnam, award of Excellent Leader and contributing largely to the development of SHB in particular and the country's economy and society in general.
- He has been recognized by the society for the participation in a number of social and charity activities.

Percentage of share ownership: 0.248%



Mr. **Nguyen Van Le**Chief Executive Officer

5. Mr. Le Dang Khoa

Deputy General Director

Born on August 18, 1974, Master in Economics of Business Administration, National Economics University in Hanoi;

18 years experience in Finance - Banking;

Former Director of Treasury Division of VIBank;

From March 2009: Deputy General Director of Saigon – Hanoi Commercial Joint Stock Bank;

7. Mrs. Dang To Loan

Deputy General Director

Born on September 10, 1973, Master in Economics of Credit and Finance;

19 years experience in Finance - Banking;

From August 2007 to October 2012: Director of SHB Hochiminh City Branch, Saigon – Hanoi Commercial Joint Stock Bank;

From October 09, 2012 to current: Deputy Director cum Director of SHB Hochiminh City Branch, Saigon – Hanoi Commercial Joint Stock Bank;

Percentage of share ownership: 0.076%

$\underline{Percentage\,of\,share\,ownership:} \underline{None}$

6. Mr. Pham Van Thang

Deputy General Director

Born on December 26, 1967, Master in Economics of Business Administration;

16 years experience in Finance - Banking;

Former Branch Director, Deputy Director of Corporate Banking Group, Techcombank;

From November 01, 2010 to March 16, 2012: Deputy General Director cum Director of Corporate Banking Group, Saigon – Hanoi Commercial Joint Stock Bank;

Percentage of share ownership: 0.008%

2.2. Major changes within the Board of Management

In 2012, SHB appointed Mrs. Ninh Thi Lan Phuong, Chief Accountant of SHB for the position of Deputy General Director of SHB and Mrs. Dang To Loan, Director of SHB Hochiminh City Branch for the position of Deputy General Director of SHB to meet with management requirements of the larger bank after merger.

2.3. Personnel policies and changes

2.3.1 Number of employees

Total number of employees of the Bank and its subsidiaries was 4,996 people. As of 31/12/2012, the number of employees having university degrees and post graduate degrees accounted for over 80% of the total number of employees, 20% were qualified with college diplomas, mostly belonging to SHB.AMC (a SHB' subsidiary).

2.3.2 Training and HR development policies

- SHB training and human resource development policies have always received support and focus from the Bank's management. SHB creates favorable conditions for its staffs to develop their careers as well as attaches much importance to developing human resource with high quality and professional manner to serve SHB's customers in the quickest way.
- SHB has oriented to deploy training following business development strategy of the Bank in each period.
- SHB training plan is built based on analyzing the development trends of the financial markets in the region and in Vietnam and results from surveys of training demand of SHB staffs conducted every year.
- With the policy that all SHB employees have opportunities to be trained and developed, the Bank has funded the entire cost of training including both courses internally organized by SHB and outsourced courses.
- The forms of training at SHB have been diversified to create conditions for its employees to become more proactive and be able to access more training opportunities.
- Besides conducting training programs, SHB has also focused on the organization of external and internal workshops helping its staffs to promptly settle difficulties arising in the working process.
- All SHB training programs have received positive response and high appreciation from attendants for the diversification and applicability to working process, which helps to support them with professional skills and enhancing management capabilities.
- -The training programs have been designed for each title and position in the Bank, as well as based on capability requirements to be appointed for each title and position.
- For experienced staffs, SHB focuses on training activities to enhance professional skills to create a reserved workforce and a pool of resourceful staffs to implement SHB's business plan as well as to create promotion opportunities for skilled staffs of the Bank. SHB also takes

full use of its high skilled staffs to become internal core lecturers to conduct training courses and share experiences.

- For newly recruited staffs, SHB develops integration training program to provide them with general knowledge of SHB; SHB also assigns highly experienced staffs to train and supervise young generation to help newly recruited staffs to quickly adjust and get acquaintance with SHB's culture.
- Annually, SHB creates favorable conditions for managers to attend overseas courses or visiting international banks through international training courses and workshops.
- Besides training activities for staffs, SHB conducts post-training assessment and makes periodic assessment of training effects on 04 levels.
- SHB also concentrates on applying technology to training activities through the implementation of online training and examination, e-library and programming software to track and manage training activities of each employee.
- SHB organizes tests and makes assessment of professional skills of all employees, to create favorable conditions for staffs to have more opportunities and time to update and confirm their knowledge, as well as to assess staff-quality to recognize training gap and to encourage employees to self-train for improvement in professional skills, and knowledge.

2.3.3 Salary, bonus and reward and compensation policies

With the viewpoint "to live on your salary, to be rich of bonus", SHB attaches staffs' bonuses and rewards to their business performance, business goals achieved and quality of their customer service. Under general regulations, SHB has the following basic policies:

- Every year, a SHB staff may receive bonus for his/her business units or him/herself for excellent performance in a year; bonus for good initiative; bonus for national holidays or on the occasion of the Bank's establishment ceremony.
- Salary increase is based on staff's assessment grades of "A" and "B". Increase for business salary and extraordinary salary increase are based on performance and contribution to the bank.
- Employees achieving excellent performance shall be awarded with quarterly or annual certificates/merits. In addition to cash rewards, the Bank also organizes Europe or Asia tours depending on each type of performance and/or reward to create motivation and encourage

working spirit of SHB staffs.

2.3.4 Allowance and social insurance policies

- All staffs with permanent contract with SHB are entitled to social benefits under the provisions of the Labor Code. The bank pays on behalf of its staffs all medical insurance, social insurance, unemployment insurance, personal income taxes and trade union fees.
- In addition, SHB staffs also receive allowances such as allowances for toxic works, responsibility allowances, etc....

2.3.5 Other policies and trade union activities

- Besides social benefit policies applied to staffs under provisions of laws, SHB also applies internal social policies for its staffs such as: uniforms for staffs, modern office and working equipment, annual summer holiday trips, and staff mortgage loans, low-interest rate staff loans, stock option, etc.
- SHB also organizes sport and culture activities including: football match, music competition, etc. to connect staffs together and connect staffs to the bank and motivate their working spirit.
- SHB especially pays attention to charity works and community engagement... to encourage social responsibility of SHB's staffs.
- SHB attaches much importance to the health of its employees, thus annually SHB often organizes examination and monitors the health of employees to ensure the efficiency and labor capacity to complete the Bank's business plan.

2.4 The environmental, social and community objectives of the Bank

With the spirit "untorn cloth to cover torn cloth", helping the poorer, in 2012 SHB participated in many social programs such as: donation to the poor, sponsoring the construction of hospital and social houses in many cities and provinces in the country, donation to the Poor's Fund, assistance to people affected by floods, natural disasters in the whole country with dozens of billion dongs. Some typical social programs that SHB participated in 2012:

- Organizing the program "Warm clothes for winter Happy to share" to donate to people in the mountainous areas in the North.
- Supporting to fishermen in Quang Ngai Province with program "Supporting Fishermen to go offshore"
- Organizing charitable meals to encourage students in Dai Nghia High School, Que Son Commune, Quang Nam

Province

- Construction of more than 300 charitable houses for poor households in Mekong River Delta.
- Donating to the Poor's Fund in An Giang Province.
- Sponsoring the construction of schools in Paksong, Champasack Province, Laos PDR.
- Donation to the Women's Fund for Peace and Development in Cambodia.

The above-mentioned social activities have proven SHB's responsibility to the community. In the future, SHB will continue to engage itself to social programs and make contribution to the common development of the community.

2.5 Domestic and International Awards in 2012

In 2012, SHB received the "Bank of the Year 2012 in Vietnam" award from The Banker (UK), a magazine with well-known reputation in finance and banking industry all over the world. This is the second time that the Banker has honored SHB with this prestigious title, which proves the sustainable and stable development during the past year.

Being one of few Vietnamese banks winning the award of "Famous ASEAN Brand Name", SHB is much encouraged by the award which recognizes the Bank's efforts in building and confirming SHB's brand name in customers' mind

SHB has been awarded by Business Initiative Directions (BID - Spain) with "Century international quality era award" – Gold Class. This award has confirmed SHB's position and reputation both within and outside Vietnam.

SHB also wins "The Bank of Excellent International Payment Quality" award in 2012 according to the Straight Through Processing (STP award) from the Bank of New York Mellon (BNY Mellon) for the third consecutive year.

SHB has been honored to receive "Strong Brand Name in Vietnam in 2012" award for the sixth consecutive year presented by Vietnam Economy Times in coordination with Vietnam Trade Promotion Agency (Ministry of Industry and Trade).

SHB has continued being in the top 500 largest enterprises in Vietnam in 2012 (VNR500). In this year, SHB climbed up to rank 92th, increased by 100 ranks from the level of 192th in 2011.

SHB has been ranked 56th among top 1000 corporate tax payers in Vietnam in 2012, increased by 15 levels in comparison with the previous year. This proves the great

OPERATIONS IN THE YEAR

contribution of the Bank to the State Budget and the society.

Moreover, in the year of 2012, SHB has been honored to rank in Top 30 firms winning the award of "The best Annual Report", leaving behind more than 700 firms listed on 02 stock exchanges and received numerous other prestigious awards.

3. Subsidiaries, associates and joint ventures

Subsidiaries:

SHB Loan Management and Assets Development One Sole Member Limited Liability Company (SHAMC)



SHB LOAN MANAGMENT AND ASSET DEVELOPMENT COMPANY

- SHB Loan Management and Assets Development One Sole Member Limited was licensed under Decision No. 508/QD-NHNN dated March 11th, 2009 of the State Bank of Vietnam and officially operated on December 05, 2009. After three years of operation, total assets of the company significantly grew from 28 billion VND (31/12/2009) to 1,116 billion VND (31/12/2012). While the chartered capital of the company remained unchanged, this definitely shows the expansion of company scale.
- The Company has full functions of a loan management company, including receiving and managing non-performing loans and collateral assets related to the loans to quickly recover and collect; selling collaterals under the disposition of the bank at market prices; restructuring outstanding loans; handling collaterals loan; trading bad loans...
- In addition to meeting the demand for loan settlement and asset management of SHB, SHBAMC also provides business services for other banks in the field of asset disposal and bad loan management under provisions of the laws.
- In 2012, the Company undertook a comprehensive restructuring of the company to review, evaluate and rearrange personnel, apparatus and capacity building and governance performance. At the end of the year, the Company's total number of employees was 487 people, increased from 220 people in 2011. Total revenue of the company reached VND 298.25 billion.

SHB Securities Joint Stock Company (SHBS)



Being taken over from Habubank in the former name of Habubank Securities JSC, SHB Securities Joint Stock Company (SHBS) has firmly joined the Vietnamese stock market as a subsidiary of SHB in the current name. After five years of operation, the pre-merger company's activities mainly served its parent bank. The previous strength of HBBS was advisory service, especially advices to new corporate bond issues. Being generally influenced by the condition of Vietnam Stock Market, SHBS was established in the context of continuous market downward trend. Most investors have opted to stand outside the market, leading to the company's difficuties in earning brokerage revenues.

About Techonology: The company has invested a modern security information technology system with advanced trading platform that could provide a number of quick, safe, useful and confidential products and services. Besides, the Data Center and IP PBX System always ensure the highest security for its customers.

About business performance: In the last 5 years, although Vietnam stock market has passed through stages of ups and downs, specifically 2012 was a tough year for the economy in general and securities companies in particular, the company has still had certain efforts in its business activities. Thus by the end of 2012 with the total number of employees at 58 people, of which 53 were qualified with post-graduate and graduate degrees accounting for 91.4% of the total number of employees, the company was still able to reach a transaction value of almost VND 4,000 billion, which means an average market share of 0.41% on HSX and 1.04% on HNX. In the context of the ongoing difficult stock market, in 2012 the Company's total revenue still reached VND 103 billion, and the Company still recorded positive profit.

In 2012, the impact of large provision resulted to sharp decrease in the company's business. Nevertheless, if the stock market recovers, there shall be a huge provision reversal for the company. Stepping into a new era with a brand-new name, a refined management structure and becoming a susidiary of SHB, SHBS promises significant improvements in the coming years.

4.Financial performance

Unit: VND **Billion**

Indicators	2011	2012	Notes			
1. Capital size	1. Capital size					
Chartered Capital	4,815.8	8,865.8				
Total Assets	70,989.5	116,537.6				
Capital Adequacy Ratio (CAR)	13.37%	14.18%				
2. Business performance						
Total Income	8,242.7	11,182.2				
Pretax Profit	1,001	1,825.2	Excluding accumulated loss taken over from HBB at merger			
Remaining Profit of the Bank	753.03	26.07				
Non-performing loans/Total loans (NPL ratio)	2.23%	8.80%	NPL ratio			
3. Solvency ratio						
The quick ratio (VND solvency ratio for the subsequent day)	15.16%	15.29%	VND solvency ratio for the subsequent day according to Circular 13 of the SBV			
7-day solvency ratio	124%	141.13%	VND solvency ratio in the next 7 days according to the regulations of the SBV must ≥100%			
Ratio of short-term funds to finance medium and long term loans	12.86%	18.42%	Ratio of short-term funds to finance medium and long term loans according to the regulations of the SBV must ≤30%			

(Source: Audited Consolidated Financial Statements in 2011, 2012)



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5. Share holder structure, changes in owner's equity

Shares

Total number of shares in circulation: 886,083,361

Treasury Stocks: 496,186

Type of shares in circulation: Ordinary shares

Number of shares to be freely transferable: **758,478,560**

Number of shares to be conditionally transferable: 127,604,801

Shareholder structure

- Majority shareholders, minority shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Majority shareholders	01	6.85
2	Minority shareholders	34,534	93.15

(Majority shareholders are shareholders with over 5% stake of the Bank's shares. Minority shareholders are shareholders with below 5% stake of the Bank's shares)

- Institutional shareholders and Individual shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Institutional shareholders	199	35.181
2	Individual shareholders	34,336	64.819
	Total	34,535	100

- Domestic shareholders and Foreign shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Domestic shareholders	34,389	98.24
2	Foreign shareholders	146	1.76
	Total	34,535	100

Changes in owner's equity

In implementation of Decision No.1559/QĐ-NHNN dated August 07, 2012 of the State Bank of Vietnam approving merger between Hanoi Building Commercial Joint Stock Bank (HBB) and Saigon – Hanoi Commercial Joint Stock Bank and the Public Share Offering Certificate No.27/GCN-UBCKNN dated July 18, 2012 issued by the State Securities Commission, SHB issued additional 405,000,000 new shares for swapping with HBB shares in order to conduct the merger and increase chartered capital.

Swapping rate:

- HBB's shareholders who hold 01 HBB share have the right to make a share swap to receive 0.75 SHB share at the time when shareholders' list was finalized to conduct Merger transaction (face value of VND 10,000 per share).

- SHB's existing shareholder holding 1 share may receive additional 0.21 SHB's shares at the time that shareholders' list finalized to conduct Merger transaction (face value of 10,000 VND per share).
- Chartered capital before the merger:

VND 4,815,795,470,000

- Chartered capital after the merger:

VND 8,865,795,470,000

Transaction of treasury stocks

Total number of treasury stocks currently is 496,186. In 2012, there was no transaction related to treasury stocks.

Other stocks

None





"2012 marked a watershed moment in the history of formation and development of SHB. Within 2013, SHB will look forward to celebrating the 20th anniversary of our founding. During almost 20 years of construction and development, SHB is strongly growing, affirming our reputation and position in the domestic banking sector as well as expanding to the region in order to increase the bank's strength to overcome all difficulties to continue to firmly develop and open up a bright future."









1. Report on business performance

Business environment

Affected by complicated developments of the world economy and difficulties of the Vietnamese economy in 2012, SHB's business faced certain difficulties:

- In 2012, the world economy had not yet escaped from difficulties due to the economic crisis and recession arising in the past years. Especially the government debt crisis in the euro zone had not ended and still became worse. World production and trade was strongly affected, commodities prices experienced complicated developments. Growth of leading economies was slowed down, leading to the slow-down in other economies. Important countries having strong trade relations with Vietnam such as USA, China, Japan and EU faced many challenges; their slowed growth has directly impacted the Vietnamese economy.
- Domestically, the Vietnamese economy in 2012 was still weak with low credit growth rate, high non performing loan ratio, reduced consumption demand, huge inventory, high number of bankrupt or non-operational companies, which has negatively impacted business performance of companies in general and credit institutions in particular. Besides, negative events happening in the banking sector were obstacles negatively affecting business of banks in general and of SHB in particular.
- The State Bank of Vietnam (SBV) conducted tightening

monetary policy since late 2011 to 2012. However, being aware of economic slowdown in early 2012, the SBV cautiously loosened monetary policy since Quarter II. Accordingly, deposit interest rate cap was strongly reduced from 14% in 2011 to 8% in 2012 after 5 times of adjustments. Since May 2012, the SBV also stipulated lending interest rate caps in encouraged sectors including: rural and agriculture, export, supporting industry, SMEs. In line with decrease in deposit rates, lending interest rates in such encouraged sectors were adjusted from 15% down to 12%/year as at present. Besides, the SBV has also issued a number of regulations to tighten gold business, to stabilize exchange rates and to ensure prudential operations of banks. Changes in the SBV's policy have significantly impacted business performance of banks in general and of SHB in particular.

Evaluations of reached results

Although affected by the volatility of the macroeconomic situation, the internal unity consensus in the Board of Directors, the Board of Management, and all staffs has facilitated SHB's effective operations and business management. In addition, the prestige and brand-name of SHB have increasingly been recognized by more and more customers and partners at home and abroad. Apart from that, professional staff training has always been interested in and supported by the bank's leaders...

- In 2012, SHB has completed most of the business targets adjusted by the Board of Directors under recommendations and authorizations of the General

Shareholder Meeting to fit the actual situation. Such targets as Capital, Customer Deposits, Customer Loans, and Profits have been realized. For the target of total assets, the actual total assets has also strongly increased and approximately reached the plan. The reason for unrealization of total asset target is that HBB's total assets decreased sharply since the time HBB's AGM approved the merger until the actual merger took place.

Achievements the bank has reached

Completion of the acquisition of HBB to bring SHB to become one of leading private-owned commercial banks in the market.

- In 2012, SHB successfully acquired Hanoi Building Commercial Joint Stock Bank (Habubank - HBB). Habubank used to be bank with good brand name and average size among commercial banks in Vietnam. The acquisition has helped SHB to increase its size in all terms: total assets, chartered capital, customer deposit, customer loans, network, number of employees, products and services, etc., which brings SHB to a new height level and promises tremendous performance in the future. The acquisition, which was approved by the SBV, agreed by shareholders, customers and employees, took place quickly, safely, effectively and at low cost, creating a new strong financial entity in line with directions of the Government and the SBV.

Restructuring the organizational structure of the bank

- The bank's organizational structure has been restructured towards simple, safe and effective operation in line with a modern retail bank model. The restructuring aimed at optimizing operations and flexible reaction to changes in economic and banking environment in each period.
- The restructuring of the organizational structure of the Bank is also to fit the size and characteristics of the Bank's operations after the merger in accordance with the directions of restructuring credit institutions of the Government and the State Bank to create safer, healthier, and more effective banks under international standards and best practices.

Successfully restructuring Bianfishco

- Bianfishco is a large-scale seafood companies specializing in exports to the Europe, Japan and other Islamic markets. As a former client of HBB, the Company's executive management weaknesses made the company to incur losses and high bad debt. After acquisition of HBB, SHB was directly involved in the process of restructuring of this company to maintain business operations, creating jobs for workers, and contributing to ensuring social security.

- SHB has made many uniform solutions: repay to farmers, arrange with big creditors on loan freeze and reduction of interests, etc. to facilitate Bianfishco's recovery, reorganization of structure, building new regulations and rules, and tightened cost control. After a short period of restructuring since SHB participated, from a paralyzed plant site now Bianfishco has returned to normal production and exports hundreds of containers to markets in Europe, Japan, etc. and creates frequent jobs for hundreds of workers.
- Through Bianfishco restructuring deal, SHB has again affirmed its position, experience and capabilities in business acquisition and corporate restructuring, which received high support from the public.

Network expansion to overseas markets

- SHB has materialized its overseas network expansion to become one of first few banks in Vietnam penetrating overseas markets. By opening the first overseas in Phnompenh, Cambodia, SHB was the third Vietnamese bank having an overseas branch and adopting an overseas network expansion strategy. In 2012, right after the opening of Cambodia branch in February, SHB also opened the second overseas branch in Lao PDR in mid August. The business results of these two overseas branches in Cambodia and Lao PDR for the year of 2012 were positive and in safe operation.

Research and application of international standards and best practices

- Apply in business management, suitable with specific conditions of SHB and the Vietnamese market, the following international standards and best practices: regulations in loan classification and provision making, regulations on prudential ratios and information disclosure, etc. under Basel II and towards Basel III.

Boosting the appliance of IT in management, product development and risk management

- SHB is currently using the Intellect CoreBanking system and the SmartVista Card System. SHB is one of few banks in Vietnam with most updated technology, with the main database center and the standby database center in international standards connected with each other via high-speed transmission line. Thanks to those systems, SHB is able to offer the best quality service and care to customer, to make full use of each customer segment, and to be active in launching products and services.

Applying IT to management

- The internal management information and statistics and reporting system based on the Intellect system was designed to serve management purposes; the eOffice -

REPORT OF THE BOARD OF MANAGEMENT

offfice management is used by every staff to exchange information and support in the whole system, the Service desk request management system connects all units of the bank with the IT system, user management system (UMS)...

- Applying IT to product development: Launching interne banking for corporate customers (eCorporation) with PKI digital signature authentication, launching matrix card authentication solution (eSecure), making payment for international credit card on E-banking...
- Applying IT to risk management: (Credit Scroring System), programming software of liquidity risk management, credit risk management and operational risk management.
- SHB is also continuing to enhance functions and usages of existing software programs to serve for the purposes of resource management, business control and monitoring, research, analysis, and forecast, etc.

Developing new and modern banking products

In order to diversify services and products towards packaging, high-class and differentiation, to catch up with the trends of the Vietnamese and the world financial markets, SHB has been able to:

- Take a lead in developing new banking services and products such as: Wealth management, Financial Advisory services offered to personal and corporate customers, Cash management, Management Solutions, Derivative,...
- Offer packaged services and products: Saving products, loan products (home loan, study loan, car loan), payment service (POS, online shopping), express money transfer, E-banking (Internet banking, Mobile banking, SMS Banking, Phone Banking), domestic and international card (Debit and Credit cards standard, gold and diamond class)... to each retail customer segment of SHB.
- High Class and differentiated services and products offered to each customer segment, including: VIP customers, Premium businessmen, Youth & Teen, Eva female customers.

2. Business plan

2.1. Financial targets as at end 2013

Total assets

Total assets is planned to reach: VND 150,000 billion; a growth of 28.7% compared with 2012.

Fund sources

- Chartered Capital: VND 8,866 billion.



- Customer Deposits: VND 102,500 billion; a growth of 25% compared with 2012.

Funds use

- Customer Loans: VND 63,772 billion, a growth of 12% compared with 2012.

(SHB's credit growth rate of 12% in 2013 is the credit growth quota given by the SBV to SHB).

International payment

International payment volume in 2013 shall reach USD 1.8 billion.

Profit and dividend

- Pre-tax profit (after full provision making for credit losses under requirements of the laws): VND 1,146 billion.
- Dividend yield: 8%/average chartered capital

Salary fund

VND 800 billion

Compensation to the Board of Directors and the

Supervisory Board

VND 15.5 billion

Prudential and efficiency ratios under Circular 13 of the SBV

- Capital Adequacy Ratio (CAR): 10% 12%;
- Ratio of using short-term funds to finance medium and long term loans < 30%;
- Pre-tax profit/average chartered capital (ROE): 10%-12%;
- Pre-tax profit/average total assets (ROA): 1% 1.2%
- Non Performing Loan (Group 3 Group 5)/Total Loans: < or = 5%

2.2. Other business targets

Operation Network

Total number of branches and transaction offices shall increase:

- As of end 2013, 11 new branches shall be opened. The following branches shall be opened in 2013: SHB Thai Binh, SHB SocTrang, SHB Thai Nguyen, SHB Tuyen Quang, SHB Tien Giang, SHB Dong Thap, SHB Bac Lieu, SHB Quang Tri, Quang Ngai and 02 new branches in Ho Chi Minh City. In overseas, SHB shall upgrade its existing SHB Laos and Cambodia branches to foreign subsidiary banks 100% owned by SHB.
- 47 new transaction offices shall be opened country-wide.

ATM cards and international credit cards

- Total number of domestic debit cards shall reach 97,000 cards. Total number of ATM machines shall increase by 80 machines.
- Total number of international credit cards in 2013 shall reach 18,000 cards.

Increasing number of foreign financed projects and other projects in which SHB acts as a serving bank:

- Developing more foreign financed projects and increasing credit lines of existing foreign financed projects such as Rural Finance Project and SMEs Financing Project.
- Being a serving bank to receive ODA funds from international foreign financial organizations who provide financing for infrastructure development projects in many cities and provinces in Vietnam with total amount reaching USD 500 million.

Correspondent Banking Relationship

In 2013, SHB plans to establish correspondent banking relationship with 40 new banks, to increase the total number of correspondent banks to 420.

Investment Plan to build offices of the Head office and of branches

- Invest to build SHB Head Office Building at No. 31-33-35 LyThuong Kiet, Hoan Kiem District, Hanoi.
- Invest to build SHB Can Tho Building (SHB Can Tho Financial and Offfice Tower) at No. 16-18 Hoa Binh Avenue, Ninh Kieu, Can Tho City.
- Invest to build SHB Đa Nang Building (SHB Đa Nang Financial and Offfice Tower) at Lot 21^a, Nguyen Van Linh, Hai Chau District, Đa Nang City.
- Invest to build SHB Branch Office in Bac Ninh Province at LyThaiTo Road, Đai Phuc Ward, Bac Ninh City
- Invest to build SHB Ho Chi Minh City Building at No. 41-43-45 Pasteur, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
- Renovate the current SHB Head Office Building at 77 Tran Hung Đao, Hoan Kiem District, Hanoi.

Gold Trading

Launching gold trading business in all SHB branches shall helps to develop more banking services and products and increase fee income.

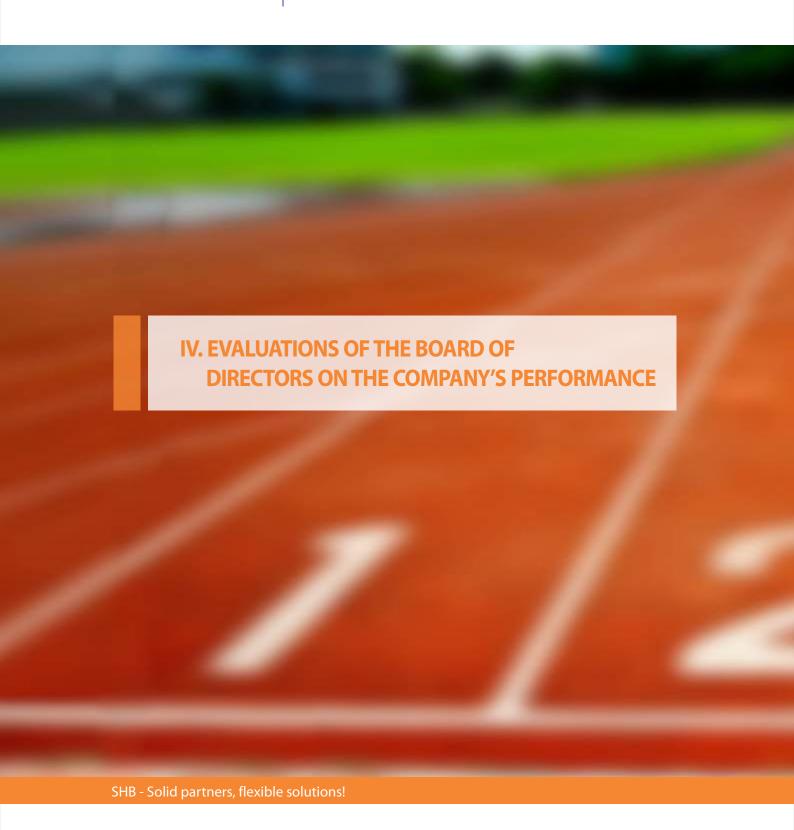
State Budget collection via SHB

Launching State Budget collection service (tax, custom duties) in all SHB branches to increase service bases and to take advantage of the low-cost funding to increase business efficiency.

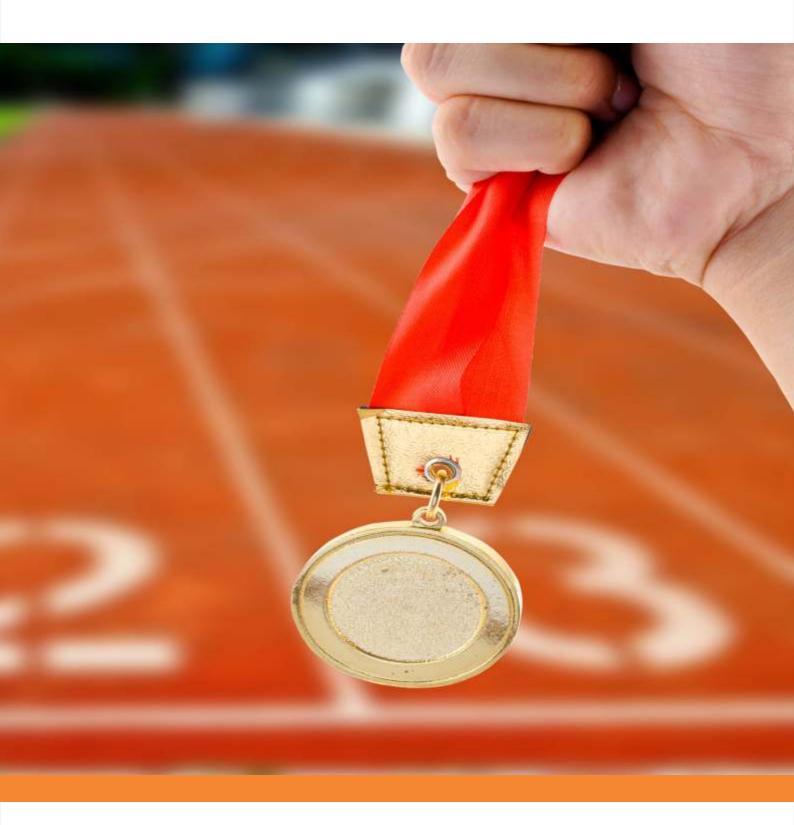




"2012 marked a watershed moment in the history of formation and development of SHB. Within 2013, SHB will look forward to celebrating the 20th anniversary of our founding. During almost 20 years of construction and development, SHB is strongly growing, affirming our reputation and position in the domestic banking sector as well as expanding to the region in order to increase the bank's strength to overcome all difficulties to continue to firmly develop and open up a bright future."







1. Review of the Board of Directors on business of the Company

2012 continued to be a difficult year for the world economy, the debt crisis in Europe continued to get bogged down, growth rates of emerging economies were slowing, high unemployment, declining purchasing power ... For Vietnam, the key task priority in 2012 was to curb inflation, stabilizing the macroeconomy, maintaining reasonable growth associated with renewing the growth model and restructuring the economy, to improve the quality, efficiency and competitiveness of the economy. Compared with the economic growth target of 6 - 6.5%, 2012 was the second consecutive year that Vietnam was not able to reach the targeted growth. Right from the first months of 2012, the economy has exposed a clear decline when in first quarter GDP grew by only 4% - lower than the 5.5% growth rate in the same period last year. Interest rates were high, especially at the beginning of the year, businesses had a lot of difficulties in accessing fund; however, inflation began to decline at the end of the year.

In 2012, the Board of Directors has been active and flexible to follow market developments closely and to direct the Board of Management to overcome challenges. Business activities of SHB have seen rapid growth, sustainability and safety.

Some achievements that the Bank has achieved in 2012 are as follows:

- -The Board of Directors directly led the implementation of the merger transaction to acquire Hanoi Building Commercial Joint Stock Bank (HBB) into SHB. In August 2012, approved by the Prime Minister, the State Bank of Vietnam and the State Securities Commission, the acquisition deal was officially completed. After the merger, capital of SHB has increased from VND 4,815.8 billion to VND 8,865.8 billion, total assets at the end of 2012 to VND 116,537.6 billion. So far SHB business remained stable after the merger; financial indicators are ensured with safety and liquidity in the central bank's standard. We can say the HBB merger deal was successful, in accordance with the development strategy of SHB, contributing to enhance the reputation and position of SHB to a new level.
- After the merger, all shares issued in 2012 to implement the merger transaction were listed and traded at the Ha Noi Stock Exchange. The level of SHB stock liquidity has always been at the highest level; the market has shown interests and trusts from shareholders and investors for the Bank.
- Based on the successful implementation of the HBB merger transaction, to definitively settle bad loans left

over by the former HBB, SHB has been actively involved in the process of restructuring a number of businesses including the Binh An Seafood Joint Stock Company (Bianfishco). SHB's involvement in the restructuring of Bianfishco has been highly appreciated by State regulators as a meaningful job, making contribution to stabilizing the social order in the area where the company is located, repaying to farmers supplying raw materials to the company, re-creating jobs for thousands of people. So far the company has come to stabilize production and business, revenue has continued to increase thanks to more and more signed contracts to export to other countries. In addition, a number of other companies have also been stabilized since SHB involved in the process of business restructuring. This in return has brought great effect for SHB in the handling and recovery of bad loans and overdue loans.

- Most of business targets for 2012 have been reached as per the business plan resoluted by the AGM from the beginning of the year. Total Assets as of 31/12/2012 was at VND 116,537.6 billion, profit before tax reached VN D 1,825.2 billion, the remaining profit was VND 26.07 billion (due to accumulated loss taken over from HBB at merger). Network has been widely developed to all provinces and cities and big economic centers of the country and reaching out with 46 domestic branches and hundreds of outlets across the country and 2 overseas branches in the Indochina region. The number of total employees has reached almost 5,000 people; especially SHB has developed the Bank's customer base up to nearly 2,000,000 clients.
- With the above operational results, SHB has always been highly appreciated by the State Bank and classified in the Group of bank with transparency, safety and efficiency (group 1), the credit growth quota of 12% in 2013.

2. Review of the Board of Directors on operations of the Board of Management

- 2012 was a very difficult year for the domestic economy in general and for the banking sector in particular. Therefore, after issuance of important strategies and decisions of the bank such as acquisition of HBB, overseas network expansion, etc. SHB's Board of Directors has actively steered and supervised the Board of Management in implementation of business plans, oversight of banking activities, risk management, etc. to ensure business stability and sustainable development in this difficult period of time and to reach the targets and plans set out by the General Shareholder Meeting.
- Chairman of the Board of Directors constantly took part in meetings with the Board of Management and Committees of the Board of Directors to get updated on business of the bank, to make direct decisions, and to

timely ensure safe and compliant operations of the bank in compliance with laws and regulations and resolutions of the General Shareholder Meeting.

- The Board of Management made field visits to many business units to get direct business information and to make timely decisions to solve problems at branches. Therefore, the Board of Management was able to timely and effective react to complicated changes in the market and to prevent internal risks.
- The Board of Management in 2012 complied fully with its assigned tasks and duties, related laws and regulations, and Charter of the bank. The Board of Management made timely recommendations to the Board of Directors and direct management over the whole system in order to be able to realize the bank-wide business plan. In the context where the economy was still in difficulty and there were big changes in the bank, the Board of Management basically has completed its assigned jobs.

3. Plan of the Board of Directors

- Inheriting the achievements as well as the long term strategic directions of Board of Directors in the last tenure, with SHB's objectives to become a multifunctional modern retail bank by 2015and vision 2020 to become a strong financial holding group with international foot prints, SHB Board of Directors shall regularly improve institutional systems, regulations and policies in accordance with requirements of the laws; complete the apparatus organizational structure towards streamlining the organization, but still ensuring that all operations are carried out smoothly, and stably and synchronically. At the same time, the Board shall also particularly concern about the risk management across the system and in each business unit from the transaction level to headquarters, applying international principles of risk management within the scope and activities of the Bank.
- 2013 is expected to be a continued year of many difficulties for the world economy, Vietnam's economy in general and banking-financial sector in particular. Currently, the Government and Ministries are also issuing many policies and plans to remove difficulties for enterprises: reducing deposit interest rates and lending interest rates, promoting overseas trade... The Board of Directors evaluates that those are challenges and also open opportunities for certain business activities of the Bank.
- -With the aim of ensuring the Bank's transparency safety effectiveness, the Board determines the following key objectives and activities:

- + Increasing executive management capacity in all areas of business, adjusting management ways as well as continuing to improve the organizational structure, institutional systems, regulations and procedures consistent with the conditions and size of the bank as well as general development trends.
- + Enhancing risk management: building, improving the system of identification criteria and risk assessment as the basis to detect and mitigate risks. Continue to improve the organizational structure and operation of the Risk Management Committee under the Board to advise the Board in analysis, giving warnings about the safety of the bank before the risks or potential risks may actually affect short term as well as long term risk preventive measures; assess the suitability and effectiveness of the current risk management processes and policies of the Bank to make recommendations and propose to the Board of Directors with the required changes in corporate governance and executive management.
- + Promoting the development of products and services: enhancing research, assessment of market impact to the existing products of SHB, survey and assessment of customer demand for the t development of specialized products and services.
- +Promoting Loan Collection: accelerating the process of settling bad loans and promptly making full provisions as prescribed. For bad loans that SHB determines to participate in the process of corporate restructuring, it is necessary to immediately undertake work related to management involvement to soon finalize the bad loans.
- + Following the evolution of the domestic and foreign markets to adjust business strategies appropriate for each phase and for long-term vision; making business plans with flexible solutions to bring stable and sustainable development.
- + Focusing on training, with particular emphasis on training in management and administration capacity for middle managers from Heads/Deputy Heads of Department upwards; Regularly providing updates and professional training for all staffs with guidelines: each staff is a part-time lecturer/guider to provide training to other colleagues within his/her scope of work and areas of activity; Maintaining and developing SHB's corporate culture.

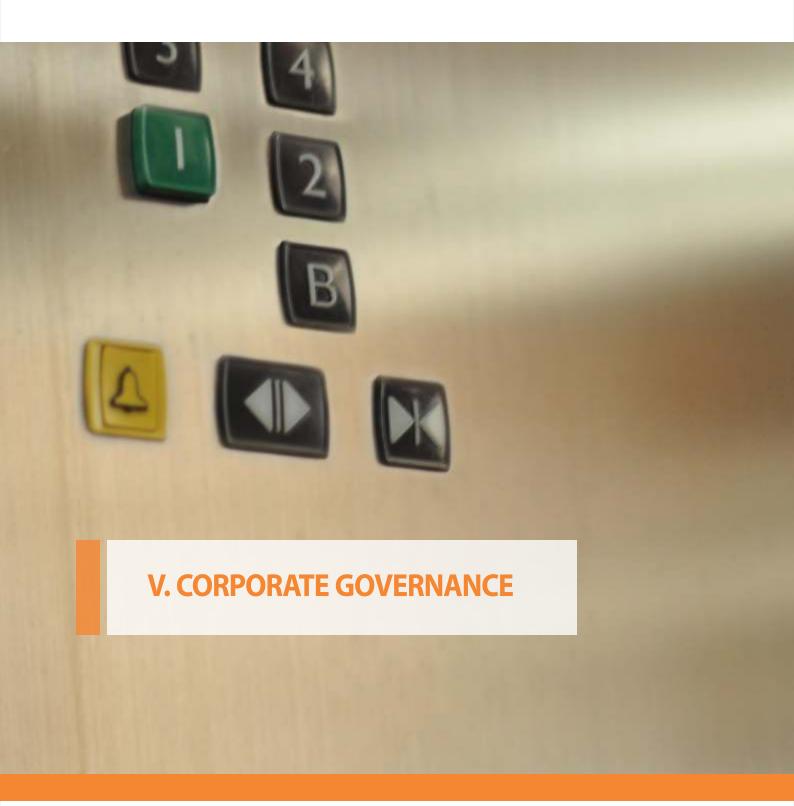


"2012 marked a watershed moment in the history of formation and development of SHB. Within 2013, SHB will look forward to celebrating the 20th anniversary of our founding. During almost 20 years of construction and development, SHB is strongly growing, affirming our reputation and position in the domestic banking sector as well as expanding to the region in order to increase the bank's strength to overcome all difficulties to continue to firmly develop and open up a bright future."



SHB - Solid partners, flexible solutions!





1. Board of Directors (BOD)

Members and structure of the BOD

BOARD OF DIRECTORS (BOD)



2



Mr. Nguyen Van Le

- Member of the BOD of SHB
- Member of the BOD of SHB
- Chairman of the BOD of SHBS Securities JSC
- -Vice Chairman of the BOD of Gentraco Fisheries JSC (GFC)
- Member of the BOD of Nghe An Rubber Investment and Development JSC
- Member of the BOD of Saigon-Hanoi Fund Management JSC
- $Member of the BOD of LILAMA-SHB \, Construction \, JSC$
- Member of the BOD of SHB Urban and Industrial Zone Development JSC

Percentage of share ownership: 0.248 %

Mr. **Tran Ngoc Linh**

- Member of the BOD of SHB

Percentage of share ownership: 0.218%

Mr. Pham Hong Thai

- Member of the BOD of SHB
- Member of the BOD of Saigon-Hanoi Securities JSC
- Chief Financial Officer of Vietnam National Coal Mineral Industries Group.

Percentage of share ownership: None

- Chairman of the BOD of SHB
- Chairman of the BOD of Saigon-Hanoi Securities JSC (SHS)
- -Chairman of the BOD and Chief Executive Officer of T&T Group
- Chairman of the BOD of T&T Ha Giang Mineral exploitation JSC
- -Chairman of the BOD of Saigon-Hanoi Fund Management JSC (SHF)
- Chairman of the BOD of SHB Urban and Industrial Zone Development JSC (SHB land)
- Chairman of the BOD of Vinacomin-SHB Insurance JSC (Svic)
- Chairman of the BOD of Bianfishco

Percentage of share ownership: 3.010%



Mr. **Do Quang Hien**Chairman of the BOD of SHB



Mrs. Dam Ngoc Bich

- Member of the BOD of SHB
- Member of Supervisory Board of Saigon-Hanoi Securities JSC
- Member of the BOD of Vietnam Handicraft and Art Articles Export-Import JSC
- Member of the BOD and Deputy General Director of T&T Group

Percentage of share ownership: 0.027%



Mr. Pham Ngoc Tuan

- Member of BOD of SHB
- Member of BOD of T&T Urban and Industrial Zone Development ISC
- Member of BOD of SHB Urban and Industrial Zone Development ISC
- Member of BOD of Vietnam Handicraft and Art Articles Export-Import JSC

Percentage of share ownership: None



Mr. Le Quang Thung

- Independent Member of the BOD of SHB
- Member of the BOD of Dai Hai Investment and Development JSC
- Chairman of Vietnam Rubber Association

Percentage of share ownership: None



Committees under the Board of Directors

To implement Decree No. 59/2009/NĐ-CP of the Government and Circular No. 06/2010/TT-NHNN of the SBV and Circular No. 121/2012/TT-BTC of the Ministry of Finance, SHB BOD has set up the following Committees under the BOD:

- Human Resource Committee under the Board of Directors of SHB
- Risk Management Committee under the Board of Directors of SHB
- Assets and Liabilities Management Committee (ALCO)
- Investment Committee under the Board of Directors of $\ensuremath{\mathsf{SHB}}$
- Problem Loans Management and Collection Committee of SHB
- Credit Committee under the Board of Directors of SHB.

Activities of the Board of Directors

In 2012, the BOD conducted 04 (four) regular meetings as per regulations. Besides, in case unexpected cases, the BOD can seek opinions of members in writings to ensure timely decision-making.

2012 was a very difficult year for the domestic economy in general and the banking sector in particular. Therefore, the BOD has increased oversight and risk management to ensure stability and sustainable development of the bank. After making thorough research and deciding to grow the bank via M&A, the BOD has closely steered the HBB acquisition deal and the comprehensive restructuring of the post-merger bank to increase business performance; to develop the bank in a new stage with larger size and longer term development strategy.

In order to increase efficiency of oversight activities, the Board of Directors have directly decided based on recommendations of the Chief Executive Officer in such areas as: Assets and Liabilities management, credit, financial investment, brand development, issuance of regulations and procedures, authorization and approval limits, asset investment, network expansion, etc. in compliance with provisions in the bank's Charter and related laws and regulations.

Activities of the Committees under the Board of Directors

HRCommittee

HR Committee is organized and operates under the Regulations on Organization and Activities of the HR Committee developed and issued by the BOD. Key tasks of the HR Committee include:

- Advise the BOD in issuance of regulations and policies in HR management in accordance with provisions of the laws and Charter of SHB.
- Advise the BOD in handling HR issues relating to or arising in such procedures of election, appointment, removal of members of the BOD, the Supervisory Board and Administrator of the bank in accordance with provisions of the laws and Charter of SHB.
- Make research and advise the BOD in issuance of internal regulations of the bank under the approval authority of the BOD relating to salary, compensation, bonuses, recruitment of staffs, training, and other compensation policies to the Administrator, managers and staffs of the bank.
- Conduct examination, inspection and assessment of the implementation of HR regulations and policies. Based on that, advise the BOD to revise existing regulations and/or to issue new regulations in accordance with the practical situation and development strategy of SHB.

Risk Management Committee

Risk Management Committee is organized and operates under the Regulations on Organization and Activities of the Risk Management Committee developed and issued by the BOD. Key tasks of the Risk Management Committee include:

- Advise the BOD in issuance of regulations and policies relating to risk management in banking in accordance with provisions of the laws and SHB Charter.
- Make analysis and warnings on safety level of the bank relating to contingent risks and propose measures to prevent and manage such risks in short term and long term.
- Review, assess the appropriation and efficiency of existing risk management regulations and policies of the bank to make recommendations to the BOD on necessary changes to existing regulations and policies or business strategy.
- Advise the BOD in making decisions on risk management policies and plans within the scope of work assigned by the BOD.

Professional Committees

- ALCO Committee:

Advise the BOD in making risk management strategies

and policies of all risks relating to all items on the Assets and Liabilities on the Balance Sheet of the bank in order to maximize profits of the bank and shareholder returns in long term; steer business units to do business under the common strategy, plan and policy to create reasonable items in the assets and liabilities of the balance sheet of the bank;

- Investment Committee:

Advise the BOD in investments. Appraise investment plans and deploy the investment activities; Leading the appraisal procedures of investment plans, projects and the implementation of investment in allowed sectors to increase income and profits for SHB;

- Problem Loan Management and Collection Committee:

Advise the BOD in issuance of measures to prevent and decrease overdue loans, non performing loans to obtain the safety and efficiency targets in credit activities, to increase quality and sustainable development of SHB; steer problem loan management and collection in the whole system; approve loan collection measures, develop and propose problem loan management and collection strategies in the whole SHB;

- Credit Committee:

Advise the BOD in targeted structure of the loan portfolio of the bank by sectors, products, or geographic locations; approve credit polices including: interest rates, fees, credit conditions, credit risk prevention measures applied to each type of customers and related parties. Approve loans exceeding the approval limit of the CEO. Propose to the BOD to approve loans exceeding 10% equity of SHB and other loans exceeding credit limits.



2. Supervisory Board

Members and structure of the Supervisory Board:

Supervisory Board

Mr. Pham Hoa Binh - Head of Supervisory Board

Percentage of ownership (%): 0.007%





Mr. **Nguyen Huu Duc**Deputy Head of Supervisory Board



Mrs. **Hoang Thi Minh**Member of Supervisory Board
Manager of Internal Audit Division



Mr. **Bui Thanh Tam** *Member of Supervisory Board*

Percentage of ownership (%): None

Percentage of ownership (%): None

Percentage of ownership (%): None

Activities of the Supervisory Board

The Supervisory Board has performed its duties and tasks in accordance with provisions of SHB Charter, regulations of the SBV and other internal regulations of SHB: Making reports and plans in specific areas required by SBV and SHB; has completed to set up organizational structure and members of the Supervisory Board tenure 2012 - 2017; has implemented Circular No. 44/2011/TT-NHNN dated 29/12/2011 of the SBV Governor stipulating the systems of internal control and internal audit of credit institutions and has completed to set up internal audit function of SHB; has conducted internal audit and other related tasks and duties.

The Supervisory Board meets regularly every quarter in 2012 (04 meetings) to review the quarterly business and set out activity plan for the next quarter. Detailed discussions and results of the meetings are as follows:

Supervisory Board Meeting in Quarter I/2012.

- Appraise the consolidated financial reports in 2011 of SHB and make report on the performance of tasks and duties of the Supervisory Board in 2011 and in tenure 2008-2012 submitted to the XXth annual General Shareholder Meeting of SHB in accordance with regulations.
- Make report of the Supervisory Board on internal audit

in 2011 of SHB reported to the SBV branch in the location in accordance with regulations.

- Steer and manage the operations and activities of Internal Audit Division in Q I/2012
- Propose to the BOD necessary work to be undertaken at SHB to implement Circular No. 44/2011/TT-NHNN dated 29/12/2011 of the SBV on internal audit and internal control of credit institutions.
- Complete the Restructuring Plan of the former internal audit function and internal control function into the current Internal Audit Division submitted to the BOD for approval.
- Participate in the committee of review and revision of existing regulations of SHB. In QI/2012, the Supervisory Board provided comments and opinions to 23 drafts of regulations and procedures of SHB.
- Participate in the anti corruption and crime committee of SHB where the Vice Head of the Supervisory Board is the Vice Chairman of the committee and Head of Internal Audit is the member of the committee.
- Participate in the anti money launder committee of SHB where a member of the Supervisory Board is the member of the committee and an internal auditor is the secretary of the committee.
- Perform other tasks and duties upon requests of the BOD and recommendations of the CEO.

Supervisory Board Meeting in Quarter II/2012.

- Set up the organization of the Supervisory Board after the election:
- + SHB Supervisory Board (elected by the XXth General Shareholder Meeting of SHB for tenure 2012- 2017) conducted the first meeting to elect the Head of Supervisory Board, Vice Head of the Supervisory Board to submit to the BOD to report to the SBV under regulations.
- + SHB Supervisory Board tenure 2012- 2017 conducted the second meeting to assign tasks and duties to members of the Supervisory Board in the new tenure under Meeting Minute No. 02/BB-BKS dated 09/06/2012.
- Appraise the consolidated annual financial reports in 2011 and make report on activities in 2011 of the Supervisory Board to present at the XXth General Shareholder Meeting.
- Perform the function of internal audit.
- -The Supervisory Board and the Internal Audit Division of SHB took over documents, papers and staffs of HBB.
- Head of the Supervisory Board tenure 2008-2012 made a Hand-over Minute to hand over work to the Head of the Supervisory Board tenure 2012 – 2017 to report to the BOD and to form bases for the new Head of Supervisory

Board to perform duties and tasks of the Supervisory Board in the new tenure of 2012 – 2017.

- The Supervisory Board completed the plan to restructure the former internal audit function and internal control function of SHB, take over the internal audit function of HBB to form a new Internal Audit Division of SHB to submit to the BOD for approval.
- Vice Head of the Supervisory Board completed draft (version 1) Regulation on internal control system of SHB sent to members of the Supervisory Board for opinions.
- Steer the Internal Audit Division to revise the Internal Audit Regulation (amended) in accordance with Circular No. 44 dated 29/12/2011 of the SBV and the HBB Acquisition Plan approved by the SBV.
- Head of the Internal Audit (now Head of Supervisory Board) completed a Report on Anti Economic Crimes at SHB (in May 2012) submitted to the CEO for signing and sending to the Ministry of Public Security under Letter No. 609/BCA-C41 dated 09/3/2012 of the MOPS.
- In QII/2012, the Supervisory Board has provided 19 times of opinions and comments to draft regulations of SHR
- Perform duties and tasks of the committee of anti corruption assigned by the BOD.
- Vice Head of the Supervisory Board Vice Head of the Anti Corruption Committee of SHB formulated a Plan to implement the information and propaganda of anti corruption issues to SHB staffs in the period 2012-2016 submitted to the CEO for signing and sending to the SBV.
- Perform duties and tasks assigned by the BOD such as: guide business units to make AML reports, make bankwide AML reports sent to competent authorities of the SBV under regulations.
- Send internal auditors to training courses conducted and organized by SHB and VCCI.
- Perform other tasks and duties under provisions of SHB Charter and laws and regulations, upon request of the BOD and recommendations of the CEO.

Supervisory Board Meeting in Quarter III/2012

- Appraise the 1H-2012 Consolidated Financial Statements of SHB submitted to the BOD under regulations.
- Make report No. 19/BC-BKS dated 25/7/2012 on performance of the Supervisory Board in 1H-2012 submitted to the BOD.
- Complete the hand-over of work from the Head of Internal Audit tenure 2007 2012 to the Head of Internal Audit Division tenure 2012-2017.
- Recommend to the BOD to approve the Plan of

CORPORATE GOVERNANCE

Restructuring internal audit and internal control functions and to merge the internal audit and internal control functions of HBB (in short the Internal Audit Restructuring Plan of SHB), to form basis for the Internal Audit Division to start work since Quarter III/2012.

- The Supervisory Board made Recommendation Letter No. 50/ CV-BKS dated 24/8/2012 regarding: recommend to the BOD to issue Decisions on organizational structure and personnel of the Internal Audit Division of SHB.
- The Supervisory Board steered the Internal Audit Division to formulate, approve and submit to the BOD for approval: The Internal Audit Regulations of SHB issued together with Decision No. 386/QĐ-HĐQT2 dated 27/8/2012 of the BOD of SHB, Regulation on organizational structure and operation of the Internal Audit Division of SHB issued together with Decision No. 387/QĐ-HĐQT2 dated 27/8/2012 of the BOD of SHB (amended in compliance with Circular No. 44/2011/TT-NHNN dated 29/12/2011 of the SBV Governor).
- The Supervisory Board to perform the function of internal audit as stipulated in SHB Charter (details in the Minute of the Supervisory Board Meeting in Quarter III/2012 and in reports of the Supervisory Board in 2012).
- Continue the work of the Committee of review and formulation of SHB's regulations in drafting and providing opinions of drafts of regulations.
- Perform the tasks of the Anti-Corruption Committee, to act as the contact point of Anti-Money Laundering Management Committee of SHB at SHH HO.
- Take over documents and staffs of the Supervisory Board of HBB.

$Supervisory\,Board\,Meeting\,in\,Quarter\,IV/2012.$

- Make 2013 Internal Audit Plan sent to the SBV.
- To appraise the 2012 consolidated financial reports of SHB to report to the BOD and to report to SHB's XXIst General Shareholder Meeting.
- Draft the regulation on internal control system submitted to the BOD for approval.
- Review the work done and undone in the implementation of the Plan No. 45/ĐA-BKS dated 6/8/2012 of the Supervisory Board on restructuring internal audit function so that the Head of Supervisory Board can direct the Internal Audit Division to implement accordingly.
- Check and review the implementation of Letter No. 6383/NHNN-TTGSNH dated 04/10/2012 of the SBV regarding the review of the service contract with the independent auditing firm to evaluate the internal control system of SHB in accordance with regulations of the SBV. The Supervisory Board has reviewed the current



service contract signed between SHB and E&Y Auditing Firm and evaluates that SHB's Board Management has complied with the said Letter of the SBV.

- The Supervisory Board has formulated Working Regulation and assigned tasks and assignments to each Supervisory Board member tenure 2012 2017 in line with the current organizational structure of the Supervisory Board and the Internal Audit Division.
- Head of Supervisory Board is a member of Problem Loan Management and Collection Committee of SHB to collect loans under decisions.
- -The Supervisory Board has coordinated with BOD Office to update List of founding shareholders, big shareholders and related people to members of the BOD, Supervisory Board and the CEO in accordance with paragraph 7 Article 59 SHB Charter since the election of the BOD and the Supervisory Board tenure 2012-2017.
- The Supervisory Board has drafted or provided comments to 13 draft regulations of SHB in Quarter IV/2012.
- Anti-Corruption Standing Unit of SHB is under the Supervisory Board, has advised the Anti-Corruption Committee of SHB.
- -The Supervisory Board has performed the internal audit function in Quarter IV/2012 in accordance with SHB's Charter.
- The Supervisory Board has performed other tasks and duties upon request of the BOD and recommendation of the CEO.
- 3. Transactions, compensations, and benefits of members of the Board of Directors, the Board of Management and the Supervisory Board

Salary, bonuses, compensations and benefits

In 2012, the Bank paid compensation to members of the Board of Directors and the Supervisory Board at VND 9.86 billion, at 63.61% compared with the year's plan of 15.5 billion, which had been approved by the AGM at Resolution No. 01/NQ-DHĐCĐ dated 05/05/2012, at the XXth Annual General Shareholder Meeting in 2012.

Share transactions of inside shareholders

No.	Name of individual/ organization conducting transaction	Name of affiliated person	Current position of affiliated person at the listing organization	Current position of affiliated person at the transaction - registering organization (or relationship of individual conducting transaction with affiliated person)	Notes
1	Saigon-Hanoi Fund Management JSC (SHF)	Mr. Do Quang Hien	Chairman of BOD	Chairman of BOD	Purchased 282,200 shares from 05/01/2012 to 30/01/2012
2	Saigon-Hanoi Securities JSC (SHS)	Mr. Do Quang Hien	Chairman of BOD	Chairman of BOD	Sold 1,000,000 shares & purchased 1,950,000 shares from 14/02/2012 to 09/03/2012
3	Mrs. Do Thi Thu Ha	Mr. Do Quang Hien	Chairman of BOD	Elder sister	Purchased 4,000,000 CP from 12/04/2012 to 11/05/2012
4	SHB Loan Management and Asset Development Company (SHAMC)	Mr. Nguyen Van Le	CEO	Chairman of BOD	Purchased 195,700 shares from 01/03/2012 to 25/04/2012
5	Saigon-Hanoi Securities JSC (SHS)	Mr. Do Quang Hien	Chairman of BOD	Chairman of BOD	Sold 1,950,000 shares & purchased 2,300,000 shares from 15/03/2012 to 11/05/2012
6	SHB Loan Management and Asset Development Company (SHAMC)	Mr. Nguyen Van Le	CEO	Chairman of BOD	Sold 195,700 shares from 14/05/2012 to 14/05/2012
7	Mrs. Do Thi Thu Ha	Mr. Do Quang Hien	Chairman of BOD	Elder sister	Purchased 6,600,000 shares from 18/05/2012 to 15/06/2012
8	Saigon-Hanoi Securities JSC (SHS)	Mr. Do Quang Hien	Chairman of BOD	Chairman of BOD	Purchased 350,000 shares from 17/05/2012 to 13/07/2012

The implementation of regulations on corporate governance

Established in 1993, passing almost 20 years of operations, SHB has implemented its corporate governance in accordance with requirements of the Law on Enterprises, Law on Credit Institutions, Circular No. 121/2012/TT-BTC issued on 26/07/2012 and other prudential banking regulations. Specifically:

- -The Bank has ensured shareholder's rights and benefits
- Charter of the bank was revised in accordance with the new Law on Credit Institutions and Circular No. 121/2012/TT-BTC.
- The BOD has convened annual General Shareholder

Meetings in accordance with regulations.

- -The BOD and the Supervisory Board has made sufficient reports at General Shareholder Meetings.
- The nomination, election, appointment, and qualifications of members of the BOD and the Supervisory Board have complied with regulations of the Credit Institution Law, Circular No. 121/2012/TT-BTC. The BOD and the Supervisory Board have performed rightly their duties and tasks.
- -The bank complies fully with reporting and information disclosure regulations.

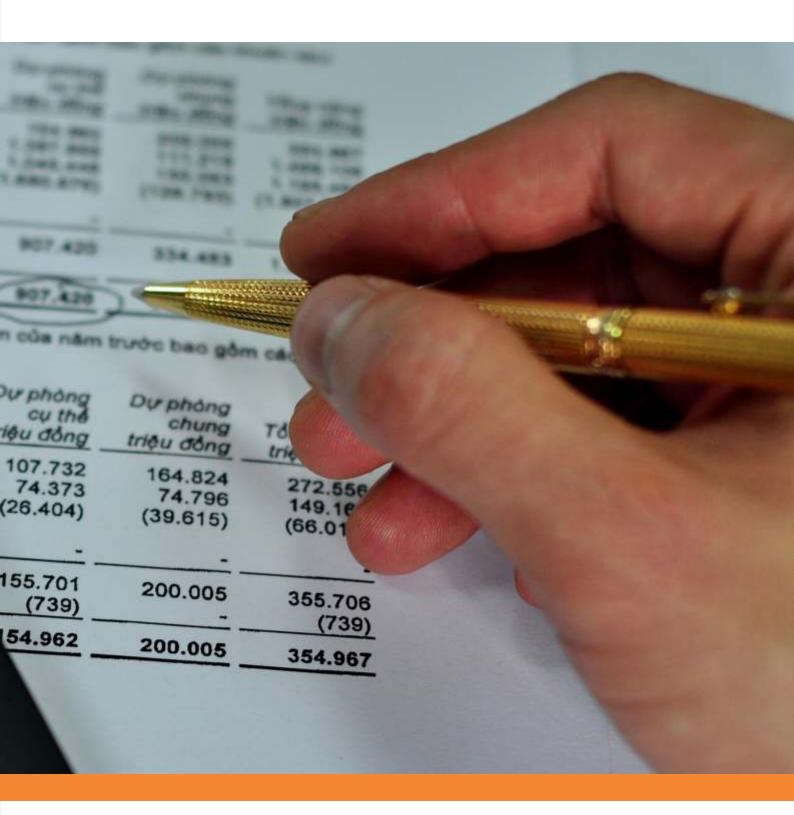


"2012 marked a watershed moment in the history of formation and development of SHB. Within 2013, SHB will look forward to celebrating the 20th anniversary of our founding. During almost 20 years of construction and development, SHB is strongly growing, affirming our reputation and position in the domestic banking sector as well as expanding to the region in order to increase the bank's strength to overcome all difficulties to continue to firmly develop and open up a bright future."



SHB - Solid partners, flexible solutions!





SAIGON – HANOI COMMERCIAL JOINT STOCK BANK Audited consolidated Financial Statements in accordance with the Vietnamese Accounting Standards and System for Vietnamese Credit Institutions as at 31 December 2012 and for the year then ended

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A. GENERAL INFORMATION

THE BANK

Saigon – Hanoi Commercial Joint Stock Bank (herein referred to as "the Bank" or "SHB") is a joint stock commercial bank registered in the Socialist Republic of Vietnam.

The Bank was initially established on 13 November 1993 as Nhon Ai Rural Commercial Joint Stock Bank under Decision No. 214/QD-NH5 and Business License No. 0041-NH/GP issued by the State Bank of Vietnam ("the SBV"). The Bank was renamed as Saigon – Hanoi Commercial Joint Stock Bank under Decision No. 1764/QD-NHNN dated 11 September 2006 issued by the Governor of the State Bank of Vietnam.

Significant event during the year

On 15 June 2012, the Governor of the State Bank of Vietnam issued Official Letter No. 3651/NHNN-TTGSNH to approve in principle the Merger Plan of Hanoi Building Commercial Joint Stock Bank ("Habubank") with Saigon - Hanoi Commercial Joint Stock Bank. Subsequently, on 1 September 2012, Hanoi Building Commercial Joint Stock Bank was officially merged with Saigon - Hanoi Commercial Joint Stock Bank in accordance with Decision No. 1559/QD-NHNN of the SBV. Under Business Registration License No. 1800278630 on 29 October 2012, the charter capital of the Bank after the Merger is VND 8,865,795 million which is equivalent to total charter capital of the two banks before the merger.

Principal activities

The Bank's principal activities are to provide banking services including mobilising and receiving short-term, medium-term and long-term deposits from organisations and individuals; making short-term, medium-term and long-term loans and advances to organisations and individuals based on the nature and capability of the Bank's sources of capital; foreign exchange transactions; international trade finance services; discount of commercial papers, bonds and other valuable papers; and other banking services as approved by the State Bank of Vietnam.

Operation network

The Bank's Head Office is located at 77 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2012, the Bank had fourty six (46) branches, one hundred and sixty eight (168) transaction offices, ten (10) saving funds nationwide, one (01) branch in Cambodia, and one (01) branch in Laos.

Subsidiaries

As at 31 December 2012, the Bank had two (02) subsidiaries as follows:

No	Subsidiary	Business Registration No.	Line of business	Ownership percentage of the Bank
1	SHB Debt and Asset Management One Sole Member Company Limited (SHBAMC)	010400627 dated 10 December 2009 of the Hanoi Planning and Investment Department	Banking/ Finance	100%
2	SHB Securities Joint Stock Company (SHBS)	112/GPDC-UBCK dated 12 September 2012 by the State Securities Commission	Securities	98.47%

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2012 and as at the date of this report are as follows:

Name	Position	Date of appointment/resignation
Mr. Do Quang Hien	Chairman	Reappointed on 5 May 2012
Mr. Nguyen Van Le	Member	Reappointed on 5 May 2012
Mr. Tran Ngoc Linh	Member	Reappointed on 5 May 2012
Ms. Dam Ngoc Bich	Member	Appointed on 5 May 2012
Mr. Pham Ngoc Tuan	Member	Appointed on 5 May 2012
Mr. Le Quang Thung	Independent Member	Appointed on 5 May 2012
Mr Pham Hong Thai	Member	Appointed on 5 May 2012
Mr. Nguyen Van Hai	Member	Resigned on 5 May 2012
Mr. Tran Thoai	Member	Resigned on 5 May 2012
Mr. Le Kien Thanh	Independent Member	Resigned on 5 May 2012

BOARD OF SUPERVISORS

Members of the Board of Supervisors during the year ended 31 December 2012 and as at the date of this report are as follows

Name	Position	Date of appointment/ resignation
Mr. Pham Hoa Binh	Head of the Board of Supervisors	Appointed on 5 May 2012
Mr. Nguyen Huu Duc	Deputy Head of the Board	Reappointed on 5 May 2012
Mr. Bui Thanh Tam	Member	Reappointed on 5 May 2012
Ms. Hoang Thi Minh	Member	Appointed on 5 May 2012
Ms. Nguyen Thi Hong Uyen	Member	Resigned on 5 May 2012
Ms. Dam Ngoc Bich	Head of the Board of Supervisors	Resigned on 5 May 2012
Mr. Luong Duc Chinh	Member	Resigned on 5 May 2012

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

Members of the Board of Management and Chief Accountant during the year ended 31 December 2012 and as at the date of this report are as follows:

Name	Name	Date of appointment
Mr. Nguyen Van Le	General Director	Reappointed on 21 May 2010
Mr. Dang Trung Dung	Deputy General Director	Appointed on 1 September 2006
Mr. Bui Tin Nghi	Deputy General Director	Appointed on 5 June 2007
Mr. Le Dang Khoa	Deputy General Director	Appointed on 10 April 2009
Mr. Pham Van Thang	Deputy General Director	Appointed on 1 November 2010
Ms. Ngo Thu Ha	Deputy General Director	Appointed on 15 March 2011
Ms. Dang To Loan	Deputy General Director	Appointed on 9 October 2012
Ms. Ninh Thi Lan Phuong	Deputy General Director, cum Chief Accountant	Appointed on 8 June 2012

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EMPLOYEES

Total number of employees as at 31 December 2012 was 4,996 persons (as at 31 December 2011: 2,840 persons)

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2012 and as at the date of this report is Mr. Nguyen Van Le – General Director.

AUDITORS

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

B. REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Saigon - Hanoi Commercial Joint Stock Bank (herein referred to as "the Bank") is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2012.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated state of affairs of the Bank and its subsidiaries, and of their consolidated results and consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

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

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

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements for the year ended 31 December 2012.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2012 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions and comply with other relevant regulations by the State Bank of Vietnam.

For and on behalf of the Board of Management:

NGÂN HÀNG THƯƠNG MẠI CỔ PHẨN SÀI GÒN-HÀ NỘI

Mr. Nguyen Van Le General Director

Hanoi, Vietnam

31 March 2013

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Saigon – Hanoi Commercial Joint Stock Bank

We have audited the consolidated financial statements of Saigon – Hanoi Commercial Joint Stock Bank ("the Bank") and its subsidiaries as set out on pages 6 to 81 which comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement and the consolidated statement of cash flows for the year then ended and the notes thereto.

The preparation and presentation of these consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2012, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System for Credit Institutions and comply with other relevant regulations by the State Bank of Vietnam.

In the year 2012, the Bank has successfully merged Hanoi Building Commercial Joint Stock Bank ("Habubank") into the Bank's operations in accordance with Decision No. 1559/QD-NHNN dated 7 August 2012 issued by the Governor of the State Bank of Vietnam. Accordingly, the financial issues and accumulative losses incurred by Habubank Before the merger date was recorded in the retained earnings of the Bank after the merger and in accordance with the Merger Plan approved by the relevant authorities.

TAI HA NOI

Nguyen Xuan Dai Deputy General Director Certificate No. 0452/KTV

Hanoi, Vietnam

31 March 2013

Le Thi Thanh Ha Auditor

Certificate No. 1600/KTV

C. CONSOLIDATED BALANCE SHEET

as at 31 December 2012

	Notes	31/12/2012 VNDm	31/12/2011 VNDm
ASSETS			
Cash and cash equivalents	5	484,887	425,219
Balances with the State Bank	6	3,031,869	35,112
Placements with and loans to other banks	7	29,862,248	18,845,175
Placements with other banks		20,996,608	18,845,175
Loans to other banks		8,890,044	-
Provision for placements with and loans to other banks		(24,404)	-
Trading securities	8	13,387	17,804
Trading securities		40,564	36,165
Provision for impairment of trading securities	_	(27,177)	(18,361)
Derivatives and other financial assets	9	5,847	4,036
Loans and advances to customers		55,689,293	28,806,884
Loans and advances to customers	10	56,939,724	29,161,851
Provision for credit losses	11	(1,250,431)	(354,967)
Investment securities	12	12,699,276	15,097,394
Available-for-sale securities	12.1	8,418,596	12,501,240
Held-to-maturity securities	12.2	4,290,544 (9,864)	2,610,840 (14,686)
Provision for impairment of investment securities	13	391,703	333,313
Long-term investments Investments in joint ventures	13	391,703	333,313
Investments in joint ventures Investments in associates		-	_
Other long-term investments		435,326	334,289
Provision for impairment of long-term investments		(43,623)	(976)
Fixed assets	14	4,127,127	2,254,983
Tangible fixed assets	14.1	398,883	167,782
Cost		700,243	252,784
Accumulated depreciation		(301,360)	(85,002)
Financial leases		-	-
Cost		-	-
Accumulated depreciation	142	2 720 244	2.007.201
Intangible assets Cost	14.2	3,728,244 3,817,079	2,087,201 2,106,146
Accumulated amortisation		(88,835)	(18,945)
Investment properties	15	85,456	-
Cost		85,456	_
Accumulated depreciation		-	-
Other assets	16	10,146,521	5,169,622
Receivables		1,494,165	2,599,671
Interest and fee receivables		4,460,581	1,645,443
Deferred income tax assets	23.2	110	-
Other assets		4,256,393	924,615
In which: Goodwill		-	-

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	Notes	31/12/2012 <u>VNDm</u>	31/12/2011 VNDm
Provision for other assets		(64,728)	(107)
TOTAL ASSETS		116,537,614	70,989,542
LIABILITIES			
Borrowings from the Government and the SBV	17	-	2,184,954
Deposits and borrowings from other banks	18	21,777,251	15,909,083
Deposits from other banks		15,505,603	15,909,083
Borrowings from other banks		6,271,648	-
Deposits and other amounts due to customers	19	77,598,520	34,785,614
Derivatives and other financial liabilities	10	-	-
Other borrowed funds	20	385,245	226,386
Valuable papers issued	21	4,370,389	11,205,240
Other liabilities		2,897,397	847,397
Interest and fee payables		1,944,532	523,415
Deferred tax liabilities	23.3	645	-
Other payables	22	911,407	297,667
Other provision	11	40,813	26,315
TOTAL LIABILITIES		107,028,802	65,158,674
OWNERS' EQUITY			
Capital and Reserves			
Capital		8,962,251	4,908,535
Charter capital		8,865,795	4,815,795
Capital to purchase fixed assets		-	-
Share premium		101,716	98,000
Treasury shares		(5,260)	(5,260)
Preference shares		-	-
Others		-	-
Reserves		517,732	278,109
Foreign currency translation reserve		9	9
Asset revaluation reserve		-	-
Retained earnings		26,058	644,215
TOTAL OWNERS' EQUITY	24	9,506,050	5,830,868
NON-CONTROLLING INTEREST	24	2,762	
TOTAL LIABILITIES, OWNERS' EQUITY AND NON- CONTROLLING INTEREST		116,537,614	70,989,542

OFF-BALANCE SHEET ITEMS

Contingencies
Credit guarantees

Letters of credit Other guarantees

31/12/2011	31/12/2012	
<i>VNDm</i>	<i>VNDm</i>	<u>Notes</u>
-	35,554	
538,228	336,437	
2,670,578	4,915,177	
3,208,806	5,287,168	39

Prepared by

Approved by

Approved by

THƯƠNG MẠI CỔ PHẨN

Ms. Vuong Thanh Huyen Accountant Ms. Ninh Thi Lan Phuong
Chief Accountant

M. Nguyen Van Le General Director

Hanoi, Vietnam

31 March 2013

INANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

		2012	2011
	<u>Notes</u>	<u>VNDm</u>	<i>VNDm</i>
Interest and similar income	27	9,951,489	7,781,058
Interest and similar expenses	28	(8,075,961)	(5,883,524)
Net interest and similar income		1,875,528	1,897,534
Fee and commission income		193,828	256,348
Fee and commission expenses		(41,731)	(37,900)
Net fee and commission income	29	152,097	218,448
Net gain from foreign currency trading	30	47,963	54,762
Net gain/(loss) from trading securities	31	140,376	(17,782)
Net gain/(loss) from investment securities	32	23,548	(9,289)
Other operating income		721,154	77,039
Other operating expenses		(32,120)	(1,607)
Net operating income	33	689,034	75,432
Dividend income	34	10,910	9,229
TOTAL OPERATING INCOME		2,939,456	2,228,334
TOTAL OPERATING EXPENSES	35	(1,678,993)	(1,125,836)
Profit from operating activities before provision for credit			
losses		1,260,463	1,102,498
(Provision)/ reversal of provision for credit losses	12	564,740	(172,183)
PROFIT BEFORE TAX		1,825,203	1,000,962
Current enterprise income tax	23.1	(137,289)	(247,933)
Deferred enterprise income tax	23.3	(645)	-
Enterprise income tax		(137,934)	(247,933)
PROFIT AFTER TAX		1,687,269	753,029
Non-controlling interest		428	
Profit after tax of the Bank		1,686,841	753,029
Accumulated losses from Habubank	2.6	(1,660,775)	
NET PROFIT FOR THE YEAR		26,066	753,029
Earnings per share (VND)	25	33	1,74 <u>5</u>

Prepared by

Approved by

Approved by

Ms. Vuong Thanh Huyen

Accountant

Ms. Ninh Thi Lan Phuong NEM - 18 M. Nguyen Van Le **Chief Accountant**

General Director

Hanoi, Vietnam

31 March 2013

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

	Notes	2012 VNDm	2011 VNDm
OPERATING ACTIVITIES			
Interest and similar income receipts		7,552,992	7,062,359
Interest and similar expense payments		(7,092,381)	(6,080,350)
Fees and commission income receipts		152,097	218,448
Net gain from foreign currency, securities trading		78,852	46,636
Other operating income receipts		108,598	73,991
Recovery from bad debts written-off previously		626	1,259
Employee and other administrative expenses payments		(1,479,432)	(1,076,649)
Enterprise income tax paid during the year	23.1	(264,542)	(259,257)
Net cash flows used in operating activities before changes in operating assets and liabilities		(943,190)	(13,563)
Changes in operating assets			
Increase in due from banks	(*)	(16,346,784)	(2,536,440)
Decrease in trading and investment securities	(*)	4,054,196	55,419
Increase in derivatives and other financial assets	(*)	(1,813)	(4,036)
Increase in loans and advances to customers	(*)	(13,101,287)	(4,832,581)
Use of provision for loan losses and provision for impairment of investment securities & long-term investments	(*)	_	(739)
Increase in other assets	(*)	(602,998)	(1,277,019)
Changes in operating liabilities	()	(002,550)	(1,277,013)
Increase/(decrease) in borrowings from the Government			
and the SBV	(*)	(2,184,954)	1,281,238
Increase in due to banks	(*)	6,219,410	2,637,545
Increase in due to customers (including State Treasury)	(*)	25,809,734	9,151,969
Increase/(decrease) in valuable papers issued (except for long-term valuable papers issued disclosed in financing	(1)	<i>(</i>	
activities)	(*)	(7,471,664)	6,812,065
Increase/(decrease) in other borrowed funds	(*)	106,406	(154,012)
Increase/(decrease) in derivatives and other financial liabilities	(*)	-	(2,900)
Increase/(decrease) in other liabilities	(*)	(4,781,348)	289,311
Net cash flows from/(used in) operating activities		(9,244,292)	11,406,257
INVESTING ACTIVITIES			
Purchase of fixed assets		(127,350)	(75,464)
Proceeds from sale of fixed assets		538,158	182
Investments in joint ventures, associates and others		-	(16,900)
Proceeds from sales of investment in joint ventures, associates and others		24,222	-

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	Notes	2012 VNDm	2011 VNDm
Dividend receipts from long-term investments in the year		10,910	9,229
Net cash flows from/(used in) investing activities		445,940	(82,953)
FINANCING ACTIVITIES			
Increase in share premium		2,261	-
Dividend payment to shareholders	27	(270,100)	(611,883)
Net cash flows used in financing activities		(267,839)	(611,883)
Net increase/(decrease) in cash and cash equivalents		(9,066,191)	10,711,421
Cash and cash equivalents transferred from Habubank		519,258	-
Cash and cash equivalents at the beginning of the year		20,213,491	9,502,070
Cash and cash equivalents at the end of the year	36	11,666,558	20,213,491

(*) The above amounts are calculated based on the ending balance as at 31 December 2012 and the beginning balance as at 1 January 2012 of the Bank and at the time of the merger on 1 September 2012 of Hanoi Building Commercial Joint Stock Bank ("Habubank").

Non-cash transaction:

On 28 August 2012, the Bank completed the merger with Hanoi Building Commercial Joint Stock Bank in accordance with Decision No. 1559/QD-NHNN dated 7 August 2012 issued by the State Bank of Vietnam. Accordingly, the shares of the Bank after the merger were issued as follows: one share of the Bank after the merger is equivalent to 0.83 shares of the Bank before the merger and 1.33 shares of Habubank.

Ms. Vuong Thanh Huyen
Accountant

Approved by

Approved by

NGÂN HÀNG

THƯƠNG MẠI CỔ PHẨN

SẢI GÒN - HÀ NỘI

Ms. Ninh Thi Lan Phuong Trêm - 18 Ms. Nguyen Van Le

Chief Accountant

General Director

Hanoi, Vietnam

31 March 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

1. FISCAL YEAR AND ACCOUNTING CURRENCY

1.1 Fiscal year

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

1.2 Accounting currency

The Bank and its subsidiaries maintain their accounting records in Vietnamese Dong (VND). However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (VNDm). This presentation does not impact the view of the readers on the Bank and its subsidiaries' consolidated financial position, consolidated results of their operations and their cash flows. With regards to the number of shares, the Bank presented the item in unit as shown in the Note 24.2.

2. BASIS OF THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance with Vietnamese Accounting Standards and Accounting System for Credit Institutions

Management confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions, and have complied with other regulations by the State Bank of Vietnam.

2.2 Accounting standards and system

- The consolidated financial statements of the Bank and its subsidiaries expressed in millions of Vietnam Dong ("VNDm"), are prepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 by the Governor of the State Bank of Vietnam which was enacted from 1 January 2005 and decisions on amendment and supplementation of Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN issued on 18 April 2007 by the Governor of the State Bank of Vietnam, and Vietnamese Accounting Standards issued by the Ministry of Finance as per:
- ▶ Decision 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, consolidated income statement, consolidated cash flow statement and notes to the consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position, consolidated results of

INANCIAL REPORTS

operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.3 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared using accounting policies those are consistent with and for the same reporting year as the Bank.

All intra-group balances, transactions, income, expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full.

Financial statements of the subsidiaries are fully consolidated from the date when control is transferred to the Bank. The control exists when the Bank has the power to govern either directly or indirectly the financial and operating polices of an entity to obtain benefits from its activities. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net results of operations and net assets not owned, either directly or indirectly through the subsidiaries, by the Bank and is presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the Bank's equity and liabilities.

2.4 Use of estimates

The preparation of consolidated financial statements requires the Board of Management to make estimates and assumptions which affect the reported figures of assets and liabilities as well as the disclosure of contingent liabilities. These estimates and assumptions also affect income, expenses and the resultant provisions. Such estimates are necessarily based on assumptions involving varying degrees of subjectivity and uncertainty. Therefore, actual results may differ from the result in future changes in such provision.

Going concern

The Board of Management of the Bank has assessed the ability to continue as a going concern of the Bank and its subsidiaries and noted that the Bank and its subsidiaries have sufficient resources to continue their business operations in a definite future. In addition, the Board of Management is note aware of any material uncertainties that may affect the ability to continue operations of the Bank and its subsidiaries as a going concern. Therefore, the consolidated financial statements are prepared on the going concern assumption.

2.5 Changes in accounting policies and disclosures

The Bank and its subsidiaries's accounting policies used for preparation of the consoliadated financial statements are consistent with the policies used to prepare the consolidated financial statements for the financial year ended 31 December 2011, except for the changes in accounting policies and notes as stated below.

On 24 October 2012, the Ministry of Finance issued Circular No. 180/2012/TT-BTC providing instructions on financial allowances for employees. According to the Circular, in 2012, enterprises can use the reserve fund which has been created under the provisions of Circular No. 82/2003/TT-BTC dated 14 August 2003 issued by the Ministry of Finance to cover allowances for employees until 31 December 2011 (if any). If the reserve fund balance is not sufficient or enterprises do not have a fund balance to cover

allowances for employees, the additional allowance expenditures incurred is recorded as expenses in the consolidated financial statements and deductible from enterprise income tax calculation purpose. If there is outstanding reserve fund balance after making payments to employees in 2012, enterprises can record it as other income for the year of 2012 and are not permitted to transfer the fund balance to the next period.

2.6 Resolutoin of accumulated losses of Habubank after the merger

According to Decision No. 1559/QD-NHNN dated 7 August 2012 issued by the Governor of the State Bank of Vietnam, on 28 August 2012, Hanoi Building Commercial Joint Stock Bank ("Habubank") was officially merged with the Bank. Hanoi Building Commercial Joint Stock Bank finalised and closed its accounting results and data on 31 August 2012 to transfer the accumulated losses before the merger in the retained earnings of the Bank after the merger.

The consolidated income statement of the Bank and its subsidiaries included the results of operations of Habubank for the period from 1 September 2012 to 31 December 2012 and the results of operations of the Bank for the period from 1 January 2012 to 31 December 2012. In addition, for the purpose of presentation, the accumulated losses of Habubank incurred before the merger are presented as a separate line in the consolidated income statement of the Bank and its subsidiaries in order to reflect more accurately the operation results of the Bank and its subsidiaries in 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Loans and advances to customers

Loans and advances to customers are stated at the principal amounts outstanding at the end of the year.

3.2 Provision for credit losses

3.2.1 Loans to customers of the Bank

3.2.1.1 Provision for credit losses in Vietnam

Loan classification

According to the Law on Credit Institutions No. 47/2010/QH12 which takes effect from 1 January 2011, Decision No. 1627/2001/QD-NHNN dated 31 December 2001 issued by the Governor of the State Bank of Vietnam on Lending Regulations of Credit Institutions, Decision No. 127/2005/QD-NHNN dated 3 February 2005 amending and supplementing Decision No. 1627/2001/QD-NHNN, Decision 493/2005/QD-NHNN dated 22 April 2005, and Decision No. 18/2007/QD-NHNN dated 25 April 2007 of the State Bank of Vietnam on loan classification and provision, credit institutions are required to classify loans and make provisions for credit losses. Accordingly, loans are classified into *Current, Special Mention, Substandard, Doubtful and Loss* on the basis of payment arrears status and other qualitative factors.

In addition, according to Decision No. 780/2012/QD-NHNN dated 23 April 2012 issued by the Governor of the State Bank of Vietnam, the Bank in permitted to maintain the group of restructured loans of customers which are assessed to have positive business activities and good repayment capabilities after the restructuring.

Specific provision

Net loan and advance exposure for each borrower is calculated by subtracting from the loan balance the discounted value of collateral, which is subject to certain accepted discount rates as stipulated in Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN.

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Specific provision is made on the net loan and advance exposure of each borrower using prescribed provision rates as follows:

Group	Name	Specific provision rate	
1	Current	0%	
2	Special Mention	5%	
3	Substandard	20%	
4	Doubtful	50%	
5	Loss	100%	

Loans which are classified as Substandard, Doubtful or Loss are considered as non performing loans.

Loans and advances to Vietnam Shipbuilding Industry Group ("Vinashin"), its members and the members which have been merged with Petrovietnam Oil and Gas Group ("PVN") or Vietnam National Shipping Lines ("Vinalines") are classified and made provision in accordance with specific guidance of the State Authority on freezing and restructuring the debts to Vinashin and the members merged with PVN and Vinalines. Accordingly, the Bank has made specific provision for loans and advances to these borrowers based on its financial capability.

In addition, the merger with Hanoi Building Commercial Joint Stock Bank on 1 September 2012 was implemented in line with the restructuring of the banking system of Vietnam. Accordingly, the Bank has submitted to the State Bank of Vietnam a plan to allocate provision for credit losses previously made by Hanoi Building Commercial Joint Stock Bank to the results of the Bank's operations over a period of three years since 2012.

General provision

In accordance with Decision No. 493/2005/QD-NHNN, a general provision is made for credit losses which are yet to be identified during the loan classification and provision process and for the Bank's potential financial difficulties due to the deterioration in loan quality. Accordingly, the Bank is required to fully make and maintain a general provision of 0.75% of total loans and advances to customers, guarantees, payment acceptances, and unconditional irrevocable loan commitments with specific effective date, which are classified in group 1 to group 4.

Bad debts written-off

Provisions are recorded in the consolidated income statement as an expense and will be used to write off any credit losses incurred. According to Decision No. 493/2005/QD-NHNN, at the discretion of the Bank's Bad Debt Resolution Committee, the Bank can write off the loans that are classified in group 5 which the borrowers are bankrupted or liquidated (for corporate) or are deceased or missing (for individuals).

Article 3 of the Decision No. 493/2005/QD-NHNH requires that at least once a quarter, within the first 15 business days of the next month, credit institutions make a loan classification and provision for the previous quarter (month). Particularly, for Quarter IV, within the first 15 business days of December, credit institutions are required to classify loans and make appropriate provision for the period ended 30 November.

3.2.1.2 Provision for credit losses in Cambodia

Provision for credit losses is made for specific risks related to loans and advances to customers, which are classified into: Current, Special Mention, Substandard, Doubtful and Loss. Specific provision is made

on the percentage of the total outstanding balance of the loans and advances. The Bank is classifying loans and making provision in accordance with Prakas No. B7-09-074 dated 25 February 2009 of the National Bank of Cambodia. Accordingly, the Bank is classifying and maintaining specific provision for the outstanding principal of loans on the following basis:

Name	Overdue period	Provision rate
Current	up to 30 days	0%
Special Mention	from 30 up to 90 days	3%
Substandard	from 90 up to 180 days	20%
Doubtful	from 180 up to 360 days	50%
Loss	over 360 days	100%

The Bank maintains a general provision of 1.00% of total balance of loans classified as Current.

The whole or a part of loans, which are determined by the Board of Directors as uncollectible will be written off after deducting the resale value of collaterals (if any).

3.2.1.3 Provision for credit losses in Laos

In accordance with Decision No. 324/BOL dated 19 April 2011 issued by the Bank of Lao P.D.R, the Bank's branch in Lao People's Democratic Republic ("the Branch") is required to classify loans and make provision for loans to customers. Accordingly, loans are classified as *Performing loans* or *Non-performing loans* based on the payment arrears status and other qualitative factors. Loans classified as either *Current*, or *Special Mention* are defined as *Performing loans*. Loans classified as either *Substandard* or *Doubtful* or *Loss* are defined as *Non-performing* loans.

According to Decision No. 324/BOL, banks are not required to create specific provision for performing loans. Specific provision for non-performing loans is made by multiplying the outstanding balance of individual loans with the provision rates applicable to each group as follows:

Group	Name	Specific provision rate
3	Substandard	20%
4	Doubtful	50%
5	Loss	100%

In accordance with Decision No. 324/BOL, apart from specific provision, a general provision is made for loans which are classified as "Performing loans". Accordingly, the Branch is required to make a general provision for loan losses at rate of 3.00% of total balance of Special Mention loans as at the consolidated balance sheet date and general provision made for Current loans shall be based on the BOL's notification in each period. For the year ended 31 December 2012, the general provision rate for Current loans was 0.50% in accordance with Official Letter No. 242/BOL dated 2 April 2011 issued by the Bank of the Lao P.D.R, as this letter is still effective for the year 2012.

3.2.2 Receivables from customers related to securities transactions of SHB Securities Joint Stock Company, a subsidiary of the Bank

Receivables are subject to review for provision based on overdue period or expected loss that are possibly incurred for undue receivables but the debtors are bankrupted or in the process of liquidation (for corporate entities) or are missing, under legal prosecution, trial or serving sentences or dead (for individuals). The provision rates for doubtful receivables in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance are as follows:

Overdue status	<u>Provision rate</u>
From six (06) months to less than one (01) year	30%
From one (01) year to less than two (02) years	50%
From two (02) years to less than three (03) years	70%
From three (03) years and above	100%

3.3 Trading securities

Trading securities are debt securities, equity securities and other securities that the Bank and its subsidiaries bought and held principally for the purpose of selling them in the near future in order to benefit from price variance.

Trading securities are recognised at cost at transaction date and continuously recorded at cost in the following accounting periods.

Income from trading securities is recognised into the consolidated income statement on a cash basis.

At the consolidated balance sheet date, trading securities are subject to review for impairment. Allowance for impairment is made when their carrying value is greater than their market value determined in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009. In case market prices of securities cannot be determined, no provision for impairment is made. Impairment losses are recognised in the consolidated income statement as "Net gain/(loss) from trading securities".

3.4 Investment securities

3.4.1 Available-for-sale securities

Available-for-sale securities include debt and equity securities which are not qualified to be classified as trading and held-to-maturity, and which the Bank and its subsidiaries hold for an indefinite period till an opportunity for profit is given. Moreover, the Bank and its subsidiaries are neither founding shareholders, strategic shareholders, nor have certain influence to participate in the financial and operating policy making process through a written agreement on delegating their representatives in the Board of Directors/ Board of Management.

Available-for-sale equity securities are recognised at cost at transaction date and continuously recorded at cost in the following accounting periods.

Available-for-sale debt securities are recorded at par value at transaction date. Accrued interest of the securities before purchase (for debt securities with interest payment in arrears) or interest received in advance (for debt securities with interest payment in advance) is recorded in a separate account. Discount/ premium, which is the negative/ positive difference between the original cost and the amount including the par value plus (+) accrued interest before purchase (if any) or minus (-) interest received in advance (if any), is also recorded in a separate account.

In subsequent years, available-for-sale debt securities are continuously recognised at face value. Discount/ premium (if any) is amortised on a straight-line basis till the maturity date to the consolidated income statement. Interest payment in arrears is recorded as follows: accumulative interest income before purchasing date is recorded as a decrease in value of such securities and the same amount is credited into the accrued interest; accumulative interest income after purchasing date is recognised as Bank and its subsidiaries'income based on the accumulated method. Interest is accrued and recognised into consolidated income statement using the straight-line method during the period of investment.

Available-for-sale securities are subject to review for impairment at the consolidated balance sheet date. Provision for impairment of trading securities is recorded when their market value is lower than their book value, as stipulated in Circular No. 228/2009/TT-BTC dated 7 December 2009. In case the market values of the securities cannot be determined, no provision is calculated.

Any impairment loss is recognized in the consolidated income statement as "Net gain/(loss) from investment securities".

3.4.2 Held-to-maturity securities

Held-to-maturity investment securities are debt securities acquired by the Bank and its subsidiaries for investment purpose in order to earn interest and the Bank and its subsidiaries have intention and ability to hold the securities until maturity. Held-to-maturity securities have fixed or determinable payments and fixed maturities. In case securities are sold before maturity, the remaining portfolio will be reclassified to trading or available-for-sale securities.

Held-to-maturity investment securities are initially recognised at par value as at the transaction date. Accumulative interest income accrued before the purchasing date (for debt securities with interest payment in arrears) or interest income received in advance (for debt securities with interest payment in advance) is recorded in a separate account. Any discount/ premium which is the difference between par value and the amount including par value plus (+) accumulative interest income before purchasing date (if any) or minus (-) interest income received in advance (if any) is also recorded in a separate account.

In the next accounting periods, held-to-maturity securities are continuously recognised at face value. Discount/ premium (if any) is amortised on a straight-line basis till the maturity date to the consolidated income statement. Interest payment in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in value of such securities and the same amount is credited into accrued interest; accumulative interest income after the purchasing date is recognised as the Bank and its subsidiaries' income, based on the accumulated method. Interest received in advance is recorded and amortised in the consolidated income statement using the straight-line method.

Held-to-maturity investments are subject to review for impairment at the consolidated balance sheet date. Allowance for impairment is made when their carrying value is greater than their market value in compliance with Circular No. 228/2009/TT-BTC dated 7 December 2009. In case, the market value of securities cannot be determined, provision for impairment of securities is not made. Provision for impairment is recognised in the consolidated income statement on the item "Net gain/(loss) from investment securities".

3.5 Repurchase and reverse repurchase agreements

Assets sold under agreements to repurchase at a specific date in the future are not derecognised from the consolidated balance sheet. The corresponding cash receipt under these agreements is recognised as a liability item in the consolidated balance sheet, reflecting its economic substance as a loan to the Bank. The difference between sale price and repurchase price is amortised over the life of the agreement on a straight-line basis to the consolidated income statement.

Conversely, assets purchased under agreements to resell at a specific date in the future are not recognised in the consolidated balance sheet. The corresponding cash paid under these agreements is recognised as an asset in the consolidated balance sheet and the difference between the purchase price and resale price is amortised over the life of the agreement to the consolidated income statement on a straight-line basis using the contractual interest rate.

3.6 Other long-term investments

Equity securities are classified as other long-term investments only when the Bank and its subsidiaries hold less than 20% of voting rights and the Bank or its subsidiaries are the founding shareholder or strategic shareholder, or has certain influence to participate in the financial and operating policy making process through a written agreement on delegating its representatives in the Board of Directors/Board of Management.

Long-term investments are recognised at cost at transaction date and continuously recorded at cost in the following accounting periods.

Other long-term investments are subject to review for impairment at the consolidated financial statement date. Allowance for impairment of other long-term investments is made when the business entities invested are operating at loss (except for losses were previously estimated and documented in the business plan before the investment is made) in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance. Accordingly, provision for investment is calculated as the difference between the actual contributed capital of all parties in the investee and the equity of the investee multiplied by (x) the proportion of capital contributed by the Bank and its subsidiaries to total capital contribution of parties in the investee.

3.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Cost related to additions, improvements and renewals are capitalised while expenditures for maintenance and repairs are charged to the consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are removed from the consolidated balance sheet and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

3.8 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

Cost related to additions, improvements and renewals are capitalised while expenditures for maintenance and repairs are charged to the consolidated income statement.

When assets are sold or liquidated, their cost and accumulated amortisation are removed from the consolidated balance sheet and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

3.9 Investment properties

Investment properties are the properties of the Bank and its subsidiaries for the purpose of earning rentals. Investment properties are initially recognised at purchase price, including transaction costs and subsequently stated at cost less accumulated depreciation. Depreciation expenses are recorded in other operating expense.

3.10 Leases

The Bank and its subsidiaries as lessees

Payments made periodically for the operating leasing are not recorded in the consolidated balance sheet. Rentals under the operating leases are recorded as "Other operating expenses" on a straight-line basis over the lease term.

3.11 Depreciation and amortisation

Depreciation and amortisation of tangible fixed assets, intangible assets and investment properties are calculated on a straight-line basis over the estimated useful life of the assets, which are as follows:

Buildings and building improvements	25 years
Machines and equipment	3 - 5 years
Motor vehicles	6 - 10 years
Office equipment	3 - 7 years
Other tangible assets	3 - 7 years
Computer software	3 - 8 years
Other intangible assets	20 years

The cost of the land use rights acquired from real estate transactions is not amortised. The cost of land use rights with definite term is amortised over the lease term.

3.12 Trusted investments

Commercial banks reserve rights to be the trust, trustee, or agent in relation to banking activities, business insurance, assets management as prescribed by the State Bank of Vietnam. According to Circular No. 04/2012/TT-NHNN dated 8 March 2012 approved by the Governor of the State Bank of Vietnam, credit institutions must classify, make provision for and write-off (if needed) trusted investments related to banking activities. Accordingly, the Bank and its subsidiaries are classifying and provisioning for trusted investments related to banking activities in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN.

Provision for impairment of other trusted investments is based on their overdue status or estimated possible loss for trusted investments which are not yet overdue but the trustees are bankrupted or liquidated (for corporate) or are deceased, missing or under legal claim (for individual). For overdue trusted investments, provision is made based on residual risks, calculated by subtracting collateral value from net book value of the trusted investment (included accrued interests) multiplied by provision rates regulated in Circular No. 228/2009/TT-BTC dated 07 December 2009 as follows:

<u>Overdue status</u>	Allowance rate
From over six (06) months up to one (01) year	30%
From one (01) to two (02) years	50%
From two (02) to three (03) years	70%
From three (03) years and above	100%

3.13 Subsidiary's purchased debts

In accordance with Circular No. 27/2002/TT-BTC dated 22 March 2002 of the Ministry of Finance that provides guidance on Regime of Finance for Assets Management Companies belonged to Commercial

Banks, assets management companies shall make provisions for the debts purchased. Time, base and rate to make provision for purchased debts shall be determined by the Chairman of the commercial bank's Board of Directors, and should be stipulated in the Company's financial regime. It should be noted that as at the the balance sheet date, the provision shall be at least 5% of the total value of the purchased debt, which is the purchase price less proceeds for repayment from these purchased debts. Provision expenses are recorded in "Other operating expenses" on the consolidated income statement.

3.14 Other receivables

Apart from receivables from credit activities, other receivables are initially recognised at cost and always reflected at cost in the following fiscal periods.

Provision for impairment loss is based on the overdue status of receivables or estimated possible loss for receivables which are not yet overdue but the debtors are bankrupted or liquidated (for corporate) or are deceased, missing or under legal claim (for individual). Provision expense is recorded in "Other operating expenses" on the consolidated income statement.

Provision is made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 by the Ministry of Finance and as follows:

Overdue status	Allowance rate
From over six (06) months up to one (01) year	30%
From one (01) to two (02) years	50%
From two (02) to three (03) years	70%
From three (03) years and above	100%

3.15 Provision for off-balance sheet commitments

According to Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN, credit institutions must classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "off-balance-sheet commitments") into groups as regulated in Article 6 of Decision No. 493/2005/QD-NHNN, namely *Current, Special Mention, Substandard, Doubtful* and *Loss* based on the overdue status and other qualitative factors; and make provision for them.

Current Cambodian and Laos regulations do not require the Bank to classify and make provision for off-balance sheet commitments.

Specific and general provision for off-balance-sheet commitments occurred in Vietnam is calculated similarly to the provision for loans and advances to customers as described in Note 3.2.1. Provision expense is recorded as "Provision for credit losses" in the consolidated income statement and provision balance is recorded in "Other provision" on the consolidated balance sheet.

3.16 Currency derivative contracts

Foreign currency Forwards and Swaps

For foreign currency forward and swap contracts, the difference between equivalent VND amounts of foreign currency committed to buy/sell using forward exchange rate and spot exchange rate as at the effective date of the contract is recognised immediately as an asset "Derivatives and other financial assets" when it is positive, and as a liability "Derivatives and other financial liabilities" when it is negative. The difference is subsequently amortised into the consolidated income statement as "Net gain/(loss) from foreign currency trading" using the straight-line method over the term of the contract. As at the

consolidated balance sheet date, commitments of foreign currency forward and swap contracts are revaluated using the official inter-bank exchange rate announced by the State Bank of Vietnam (Note 49).

During the year, gain or loss from revaluation is recorded in "Foreign currency translation reserve" on the consolidated balance sheet. At the end of the fiscal year, the cumulative gain or loss is transferred into the consolidated income statement as "Net gain/(loss) from foreign currency trading".

3.17 Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into VND using exchange rates of interbank foreign exchange market at the consolidated balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 31 December in Note 49). Income and expenses arising from foreign currencies during the year are translated into VND at rates ruling at the transaction dates. Unrealised foreign exchange differences arising from the translation of monetary assets and liabilities during the fiscal year are recorded to the consolidated income statement.

According to the Accounting System for Enterprise, SHB Debt and Asset Management One Sole Member Company Limited, a subsidiary, is applying Circular No. 201/2009/TT-BTC dated 15 October 2009 by the Ministry of Finance which provides guidance for the treatment of foreign exchange differences (the "Circular 201") for its foreign currency transactions consistently since 2009. Accordingly, transactions in currencies other than the subsidiary's reporting currency (VND) are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates of interbank foreign exchange market at the consolidated balance sheet date. All realised and unrealised foreign exchange differences are recorded on the consolidated income statement except for the unrealised foreign exchange differences arising from the translation of short-term monetary assets and liabilities denominated in foreign currencies as at the consolidated balance sheet date, are recorded in the "Foreign exchange translation reserve" account within the equity of the consolidated balance sheet and will be reversed in the following year.

3.18 Recognition of income and expenses

3.18.1 Recognition of income and expenses from banking business activities

Interest income and interest expenses

Interest income and interest expenses are recognised in the consolidated income statement on the accrual basis. The recognition of interest income is suspended when loans and advances become impaired, which occurs when a loan is classified in groups 2 to 5 according to the criteria set in Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN issued by the State Bank of Vietnam. Suspended interest income is reversed and monitored in the off-balance sheet and only recognised in the consolidated income statement upon actual receipt.

Fees and commissions

Fees and commissions are recognised when the services are provided.

3.18.2 Recognition of revenues from other activities

Revenue from securities brokerage activities

Where the contract outcome can be reliably measured, revenue is recognised by reference to the stage

of completion. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the recognised expenses which are recoverable.

Revenue from securities trading

Revenue from securities trading is determined by the difference between the selling price and the weighted average cost of securities sold.

Revenue from Repo transactions

Revenue is recognised in the consolidated income statement over the effective period of the repo contract using the straight line method.

Fees from investment portfolio management service

Fees from investment portfolio management service are recognised on an accrual basis over the contractual conditions and terms of the investment management contract.

Revenue from other services

Where the contract outcome can be reliably measured, revenue is recognised by reference to the stage of completion. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the recognised expenses which are recoverable.

Dividends

Income is recognised when the right to receive dividend of the Bank and its subsidiaries is established. Dividend received in shares and bonus shares is not recognised as the Bank and its subsidiaries income but only the number of shares is updated.

3.19 Enterprise income taxes

Current enterprise income tax

Current enterprise income tax assets and liabilities for the current and prior years are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the consolidated balance sheet date.

Current enterprise income tax should be charged or credited directly to the consolidated income statement except for items related to the tax that are credited or charged, in the same or a different year, directly to equity, in which case current enterprise income tax is also charged or credited directly to equity.

Current enterprise income tax assets and liabilities are only offset when there is a legally enforceable right to set off current enterprise income tax assets against current enterprise income tax liabilities and when the Bank and its subsidiaries intend to settle their current enterprise income tax assets and liabilities on a net basis.

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

Deferred enterprise income tax

Deferred enterprise income tax is provided on temporary differences between the tax base of assets

and liabilities and their carrying amount for financial reporting purpose at the consolidated balance sheet date.

Deferred enterprise income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred enterprise income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- ▶ Where taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures and the Bank and its subsidiaries have the ability to control the time of reverting these temporary differences and it is likely that these temporary differences will not be reverted in the foreseeable future.

Deferred enterprise income tax assets are recognised for all deductable temporary differences, tax losses carried forward and unused tax credits when it is probable that the Bank and its subsidiaries will generate sufficient taxable profit in the foreseeable future to use deductable temporary differences, taxable losses and tax advantages, except:

- ▶ Where the deferred enterprise income tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and
- ▶ Where taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures and it is likely that these temporary differences will be reversed in foreseeable future and the Bank and its subsidiaries will make taxable earnings to use these temporary differences.

The carrying amount of deferred enterprise income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred income tax assets are reassessed at each consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred enterprise income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

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

Deferred enterprise income tax assets and liabilities are offset when there is a legally enforceable right to net current enterprise income tax assets against current enterprise income tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Bank and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

3.20 Statutory reserves

In accordance with Decree No. 57/2012/ND-CP effective from 15 September 2012, the Bank is required to make supplemental capital reserve and financial reserves from net profit in the fiscal year.

In accordance with Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance that provide guidance on the regime of finance for assets management companies of commercial banks, assets management companies shall create reserves in accordance with the requirements of the SBV following their parent commercial banks.

In accordance with Decision No. 27/2007/QD-BTC dated 24 April 2007 issued by the Ministry of Finance

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on the organisation and operation of securities companies, companies shall make supplemental capital reserve and financial reserves from net profit in the fiscal year.

3.21 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprises cash, gold, gemstones, current accounts with the SBV, treasury bills and other short-term valuable papers that are eligible for discount at the SBV, amounts due from other banks and securities with an original maturity of less than three months from the acquisition date, with high liquidity and and being readily convertible into known amounts of cash.

3.22 Fiduciary assets

Assets held in trust or in a fiduciary cabability are not reported in the consolidated financial statements since they are not assets of the Bank and its subsidiaries.

3.23 Offsetting

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

3.24 Segment reporting

A segment is a separately determinable component of the Bank and its subsidiaries engaging in providing some related products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each of segments is subject to risks and benefits which differ from the others. Primary segment report of the Bank and its subsidiaries is a segment reporting in terms of geographical area. Secondary segment report of the Bank and its subsidiaries is a segment reporting in terms of business activities.

3.25 Employee benefits

3.25.1 Post employment benefits

Post employment benefits are paid to the retired employees of the Bank and its subsidiaries by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank and its subsidiaries are required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.00% of an employee's basic salary on a monthly basis. The Bank and its subsidiaries have no further obligation to fund the post employment benefits of their employees, other than the liability to pay Social Insurance Agency on a monthly basis.

The Bank and its subsidiaries' employees who are subject to early retirement due to restructuring are entitled to one month of basic salary for every 12 months of employment and half month of basic salary for each month of early retirement (maximum 30 months). Early retirement allowance is debited to termination allowance. Additionally, the Bank also pays three months of salary to these employees from their retrenchment allowance.

3.25.2 Voluntary resignation and retrenchment benefits

Voluntary resignation benefits: The Bank and its subsidiaries have the obligation, under Article 42 of the Vietnam Labor Code amended on 2 April 2002, to pay allowance arising from voluntary resignation of employees. The allowance is equivalent to one-half month's salary for each year of employment plus salary allowances (if any) until 31 December 2008. From 1 January 2009, the average monthly salary

used to calculate the voluntary resignation benefits is adjusted at the end of the reporting date based on the average salaries of the lastest six consecutive months.

Retrenchment benefits: The Bank and its subsidiaries have the obligation, under Article 17 of the Vietnam Labor Code, to pay allowance to employees who are retrenched as a result of organisational restructuring or technological changes. In such case, the Bank shall pay to employees an allowance for loss of work equivalent to the aggregate amount of one month's salary for each year of employment, but no less than two months' salary. Increase or decrease in the account balance of provision is accounted into "Other operating expenses" in the period.

3.25.3 Unemployment Insurance

The Bank and its subsidiaries have the obligation to contribute to the Unemployment Insurance Fund at the amount equal to 1.00% of their insured employees' salaries and remunerations and withhold the same amount from the insured employees' salaries and remunerations to contribute to the Unemployment Insurance Fund in accordance with Circular No. 04/2009/TT-BLDTBXH providing guidance on implementation of the Decree No. 127/2008/ND-CP, which is effective from 1 January 2009.

. SEGMENT REPORTING

4.1 Segment reporting in terms of business activities

						VNDm
	Credit	Investment	Services	Treasury	Other	Total
For the period from 01 January to 31 December 2012						
Direct revenue	5,725,511	2,427,810	655,124	2,373,732		11,182,177
As at 31 December 2012						
1. Segment assets	66,147,880	17,401,568	18,833	25,751,677	- 10	109,319,958
2. Asset allocation	2,716,011	49,119	3,525,037	927,489		7,217,656
Total assets	68,863,891	17,450,687	3,543,870	26,679,166	- 116	116,537,614
1. Segment liabilities	(142,546)	ı	(38,816)	(105,963,652)	- (106	(106,145,014)
2. Liability allocation	(332,570)	(6,015)	(431,634)	(113,569)		(883,788)
Total liabilities	(475,116)	(6,015)	(470,450)	(470,450) (106,077,221)	- (107,	(107,028,802)

4.2 Segment reporting in terms of geographic areas

	'		Domestic		
	Overseas	North	Centre	South	Tota <u>l</u>
Net interest and similar income	51,751	875,466	202,816	745,495	1,875,528
Net fees and commission income	1,661	114,530	2,434	33,472	152,097
Net gain/(loss) from foreign currencies trading	(435)	37,335	334	10,729	47,963
Net gain from securities trading	1	140,376	ı	ı	140,376
Net gain from investment securities	1	23,548	ı	ı	23,548
Net gain/(loss) from other operating activities	(4,892)	632,649	53,042	8,235	689,034
Dividend income	ı	10,910	I	ı	10,910
Operating expenses	(38,013)	(1,191,445)	(141,095)	(308,440)	(1,678,993)
Profit from operating activities before provision for credit losses	10,072	643,369	117,531	489,491	1,260,463
(Provision)/ Reversal of provision for credit losses	(8,528)	643,578	16,533	(86,843)	564,740
Profit before tax (before losses transferred from Habubank)	1,544	1,286,947	134,064	402,648	1,825,203

CASH AND CASH EQUIVALENTS

	484,887	425,219
Gold	3,758	
Cash on hand in foreign currencies	224,361	131,369
Cash on hand in VND	256,768	293,850
	VNDm	VNDm

6. BALANCES WITH THE STATE BANK

Balances with the State Bank of Vietnam ("the SBV")
Balances with National Bank of Cambodia ("the NBC")
Balances with the Bank of Laos ("the BOL")

31/12/2011	31/12/2012
VNDm	VNDm
35,112	2,789,224
-	109,625
	133,020
35,112	3,031,869

31/12/2012

31/12/2011

Balances with the SBV

Balances with the SBV include settlement and compulsory deposits. As at 31 December 2012, compulsory deposits in VND and settlement deposits in foreign currencies earned annual interest at rates of 1.20% and 0.05%, respectively (31 December 2011: 1.20% p.a. and 0.05% p.a., respectively).

In accordance with the SBV's regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory deposits, which are computed at 3.00% and 8.00% (2011: 3.00% and 8.00%) for demand deposits and deposits with terms of less than 12 months in VND and foreign currencies, respectively, and at 1.00% and 6.00% (2011: 1.00% and 6.00%) for deposits with terms of over 12 months in VND and foreign currencies, respectively. The Bank's average compulsory deposits in VND and foreign currencies in December 2012 amounted to VNDm 2,449,416 and USD 58,524 thousand (or VNDm 1,218,938).

During the year, the Bank has maintained its compulsory reserve in compliance with the compulsory reserve requirement notifications from the SBV.

Balances with the NBC

Balances with the National Bank of Cambodia (the "NBC") include margin deposits for the establishment of the Bank's branch in Cambodia and the compulsory reserve required by the NBC. The compulsory reserve is calculated based on the daily average balance of deposits at the rates of 8.00% for deposits in Riels and 12.50% for deposits in foreign currencies. The 8.00% reserve in Riels and the reserve in foreign currencies within 8.00% out of 12.50% have interest free. The remaining reserve of 4.50% is entitled to interest at the rate determined by Prakas on term deposit interest rates (as at 31 December 2012, the rate is 0.10% p.a.).

Balances with the BOL

Balances with the Bank of Laos P.D.R (the "BOL") include margin deposits for the establishment of the Bank's branch in Laos and the compulsory reserve required by the BOL. The Bank's branch is required to maintain compulsory reserve at 0% for term deposit over 12 months, 5.00% and 10.00% for deposits with terms of less than 12 months in LAK and in foreign currencies, respectively. The margin deposits at the BOL are not entitled to interest.

7. PLACEMENTS WITH AND LOANS TO OTHER BANKS

	31/12/2012 VNDm	31/12/2011 VNDm
Placements with other banks	20,996,608	18,845,175
Current accounts with other banks	1,117,223	3,158,282
In VND	980,700	3,071,502
In foreign currencies and gold	136,523	86,780
Term deposits with other banks (*)	19,879,385	15,686,893
In VND	18,873,242	14,316,411
In foreign currencies and gold	1,006,143	1,370,482
Loans to other banks	8,890,044	-
In VND	7,350,000	-
In foreign currencies and gold	1,540,044	-
Provision for placements with and loans to other banks	(24,404)	
	29,862,248	18,845,175

^(*) Transactions arised before 01 September 2012

Changes in the provision for placements with and loans to other banks in the current year are summarised as below:

	Specific	General	
	provision	provision	Total
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Opening balance	-	-	-
Provision expense in the year		24,404	24,404
Closing balance		24,404	24,404

8. TRADING SECURITIES

Investments in trading securities as at 31 December include:

	31/12/2012 VNDm	31/12/2011 <u>VNDm</u>
Equity securities	40,564	36,165
Securities issued by other local credit institutions	-	-
Securities issued by local business entities	40,564	36,165
Provision for impairment of trading securities	(27,177)	(18,361)
	13,387	17,804

The listing status of trading securities is as follows:

	31/12/2012	31/12/2011
	VNDm	<i>VNDm</i>
Equity securities	40,564	36,165
Listed	40,564	36,165
Unlisted		
	40,564	<u>36,165</u>

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total net carrying value (at exchange rates as at the consolidated balance sheet date)			
	Assets	Liabilities	Net carrying value	
	VNDm	VNDm	VNDm	
As at 31 December 2012				
Currency derivatives	5,847	-	5,847	
Forward contracts	3,264	-	3,264	
Swap contracts	2,583	-	2,583	
As at 31 December 2011				
Currency derivatives	4,650	(614)	4,036	
Forward contracts	4,650	-	4650	
Swap contracts	-	(614)	(614)	

10. LOANS AND ADVANCES TO CUSTOMERS

	31/12/2012 VNDm	31/12/2011 VNDm
Loans to local business entities and individuals	55,722,484	28,917,037
Discounted valuable papers	985,650	22,168
Amounts paid for commitments to other parties on behalf of		
customers	582	2,271
Trusted loans	74,572	10,719
Other loans to local business entities and individuals	22,013	206,466
	56,805,301	29,158,661
REPO with customers of SHB Debt and Asset Management One		
Sole Member Company Limited	2,200	3,190
Receivables from securities trading of SHB Securities JSC.	132,223	
	56,939,724	29,161,851
	2012	2011
	Average	Average
	interest	interest
	<u> %/p.a.</u>	<u>%/p.a.</u>
Commercial loans denominated in VND	14.10	19.50
Commercial loans denominated in foreign currencies	6.31	6.55

Commercial loans comprise short-term, medium-term and long-term loans including syndicated loans led by the Bank, which are denominated in VND, USD and EUR.

10.1 Analysis of loans by quality

	31/12/2012 VNDm	31/12/2011 VNDm
Current	47,177,222	27,413,610
Special mention (*)	4,613,612	1,093,638
Substandard	1,030,821	218,922
Doubtful	1,774,175	154,148
Loss	2,209,471	278,343
	56,805,301	29,158,661
REPO with customers of SHB Debt and Asset Management One Sole Member Company Limited	2,200	3,190
Receivables from securities trading of SHB Securities Joint		
Stock Company	132,223	
	56,939,724	29,161,851

^(*) This included outstanding loan balances to Vietnam Shipbuilding Industry Group ("Vinashin"), its members and the members which have been merged with Petro Vietnam Oil and Gas Corporation ("PVN"), or Vietnam National Shipping Lines ("Vinalines"). Such loans are classified and made provision in accordance with specific guidance of the State Authority on freezing and restructuring the debts to Vinashin and the members merged with PVN and Vinalines. Accordingly, the Bank has made specific provision for loans and advances to these borrowers based on its financial capability.

10.2 Analysis of loans by original terms

	31/12/2012 VNDm	31/12/2011 VNDm
Short-term loans	32,227,573	18,514,230
Medium-term loans	12,770,917	6,394,821
Long-term loans	11,941,234	4,252,800
	56,939,724	29,161,851

Short-term loans include balances of REPO with customers of SHB Debt and Asset Management One Sole Member Company Limited and receivables from securities trading of SHB Securities Joint Stock Company amounting to VNDm 2,200 and VNDm 132,223, respectively.

10.3 Analysis of loans by ownership

	31/12/2012 VNDm	%	31/12/2011 <u>VNDm</u>	%
Corporate loans	40,682,284	71.44	19,951,578	68.42
Central state-owned enterprises	2,127,108	3.74	791,375	2.71
Provincial state-owned enterprises	560,436	0.98	224,399	0.77
State limited companies	2,944,494	5.17	1,063,033	3.65
Private limited companies	11,452,224	20.11	6,280,638	21.54
State joint stock companies	3,197,708	5.62	2,138,144	7.33
Other joint stock companies	19,063,710	33.48	8,575,625	29.41

	31/12/2012		31/12/2011	
	<i>VNDm</i>	%	VNDm	%
Partnerships	1,706	0.00	1,319	0.00
Private enterprises	763,502	1.34	531,685	1.82
Foreign invested enterprises	500,953	0.88	328,493	1.13
Co-operatives	70,443	0.12	16,867	0.06
Individual loans	15,937,074	27.99	9,075,962	31.12
Other loans	185,943	0.33	131,121	0.45
	56,805,301	99.76	29,158,661	99.99
REPO with customers of SHB Debt and Asset Management One Sole Member Company				
Limited	2,200	0.01	3,190	0.01
Receivables from securities trading of SHB				
Securities JSC.	132,223	0.23		
	56,939,724	100.00	29,161,851	100.00

10.4 Analysis of loans by sectors

	31/12/2012		31/12/2011	
	<i>VNDm</i>	%	<i>VNDm</i>	%
Agricultural, forestry and aquaculture	8,090,626	14.21	3,478,762	11.93
Mining	3,964,713	6.96	2,676,492	9.18
Processing, manufacturing	8,707,926	15.29	5,068,777	17.38
Electricity, petroleum & steam	1,342,569	2.36	486,452	1.67
Water supply and waste treatment	23,686	0.04	6,195	0.02
Construction	6,118,343	10.75	3,301,472	11.32
Wholesale and retail trade, repair of motor				
vehicles, motor cycles and personal goods	10,504,245	18.45	5,742,949	19.69
Transportation and storage	4,092,720	7.19	1,553,418	5.33
Hospitality	1,284,432	2.26	782,871	2.68
Information and communication	95,341	0.17	28,032	0.10
Financial services	654,824	1.15	463,209	1.59
Real estate development & property				
investment	2,236,672	3.93	1,392,049	4.77
Scientific research	17,105	0.03	24,458	0.08
Administrative activities and support services	49,744	0.09	32,697	0.11
Activities of the Communist Party, political - social organisations, state management,				
security and defense	4,992	0.01	5,303	0.02
Education and training	44,085	0.08	13,480	0.05
Healthcare and community development	76,326	0.13	45,346	0.16
Recreational, cultural, sporting activities	21,757	0.04	12,709	0.04
Other service activities	9,206,154	16.17	3,822,944	13.11
Households services, production of material products and services used by households	261,952	0.44	185,738	0.64
,	,		,	

	31/12/2012 VNDm	%	31/12/2011 VNDm	%
International activities	7,089	0.01	35,308	0.12
	56,805,301	99.76	29,158,661	99.99
REPO with customers of SHB Debt and Asset Management One Sole Member Company Limited	2,200	0.01	3,190	0.01
Receivables from securities trading of SHB Securities Joint Stock Company	132,223	0.23		
	56,939,724	100.00	<u>29,161,851</u>	100.00

11. PROVISION FOR CREDIT LOSSES

Details of provision for credit losses presented in the consolidated financial statements at 31 December are as follows:

	31/12/2012 VNDm	31/12/2011 VNDm
Provision for credit losses in Vietnam	1,241,903	354,967
Provision for credit losses in Cambodia	8,074	-
Provision for credit losses in Laos	454	
Provision for credit losses	1,250,431	354,967
Provision for contingent liabilities and off-balance sheet commitments	40,813	26,315
	1,291,244	381,282

11.1 Provision for credit losses from loans and advances to customers

11.1.1 Provision for credit losses from loans and advances to customers in Vietnam

The Bank makes the loan classification in compliance with Article 6 of Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN, Decision 780/2012/QD-NHNN and its policy for loan classification and provision for credit losses. Accordingly, the provision at 31 December is made based on the classification of loans as at 30 November.

Changes in the provision for credit losses from loans and advances to customers in the current year are summarised as follows:

	Specific provision VNDm	General provision <u>VNDm</u>	Total VNDm
Opening balance	154,962	200,005	354,967
Provision transferred from Habubank	1,387,888	111,218	1,499,106
Provision expense in the year	1,045,446	150,053	1,195,499
Reversal of provision during the year	(1,680,876)	(126,793)	(1,807,669)
Closing balance	907,420	334,483	1,241,903

Changes in the provision for credit losses from loans and advances to customers in the previous year are summarised as follows:

	Specific	General	
	provision	provision	Total
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Opening balance	107,732	164,824	272,556
Provision expense in the year	74,373	74,796	149,169
Reversal of provision during the year	(26,404)	(39,615)	(66,019)
Use of provision from January to November			
Balance as at 30 November	155,701	200,005	355,706
Use of provision in December	(739)		(739)
Closing balance	<u>154,962</u>	200,005	354,967

11.1.2 Provision for credit losses from loans and advances to customers in Cambodia

For loans incurred at the Cambodian branch, the Bank classifies loans and makes provision in compliance with Prakas No. B7-09-074 dated 25 February 2009 of the National Bank of Cambodia.

Changes in the provision for loans for loans at Cambodia in the current period as follows:

	Specific provision <u>VNDm</u>	General provision <u>VNDm</u>	Total <u>VNDm</u>
Opening balance	-	-	-
Provision expense in the period	-	8,074	8,074
Reversal of provision during the period	-	-	-
Use of provision during the period			
Closing balance		8,074	8,074

11.1.3 Provision for credit losses from loans and advances to customers in Laos

For loans incurred at the Laos branch, the Bank classifies loans and makes provision in compliance with Decision No. 324/BOL of the Bank of Laos.

Changes in the provision for credit losses for loans in Laos in the current period as follows:

	Specific provision VNDm	General provision <u>VNDm</u>	Total <u>VNDm</u>
Opening balance	-	-	-
Provision expense in the period	-	454	454
Reversal of provision during the period	-	-	-
Use of provision during the period			
Closing balance		<u>454</u>	454

11.2 Provision for contingent liabilities and off-balance sheet commitments

Changes in the provision for contingent liabilities and off-balance sheet commitments in the current year are summarised as follows:

	Specific provision <u>VNDm</u>	General provision <u>VNDm</u>	Total VNDm
Opening balance	-	26.315	26.315
Provision expense in the year	-	23.544	23.544
Reversal of provision during the year		(9.046)	(9.046)
Closing balance		40.813	40.813

Changes in the provision for contingent liabilities and off-balance sheet commitments in the previous year are summarised as follows:

	Specific	General	
	provision	provision	Total
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Opening balance	-	7,930	7,930
Provision expense in the year	-	23,014	23,014
Reversal of provision during the year		(4,629)	(4,629)
Closing balance		26,315	<u>26,315</u>

12. INVESTMENT SECURITIES

	31/12/2012	31/12/2011
	VNDm	<u>VNDm</u>
Available-for-sale securities	8,418,596	12,501,240
Debt securities	8,370,572	12,480,528
Securities issued by the Government of Vietnam	4,947,245	950,000
Securities issued by other local credit institutions	375,018	8,430,106
Securities issued by local business entities	3,048,309	3,100,422
Securities issued by foreign entities	-	-
Equity securities	48,024	20,712
Securities issued by other local credit institutions	11,689	11,689
Securities issued by local business entities	36,335	9,023
Securities issued by foreign entities	-	-
Provision for impairment of available-for-sale securities	(9,864)	(14,686)
Held-to-maturity securities	4,290,544	2,610,840
Securities issued by the Government of Vietnam	869,688	1,000,000
Securities issued by other local credit institutions	2,345,668	1,610,840
Securities issued by local business entities	1,075,188	-
Securities issued by foreign entities	-	-
Provision for impairment of held-to-maturity securities		
	12,699,276	15,097,394

12.1 Available-for-sale securities

12.1.1 Debt securities

Details of available-for-sale debt securities held by the Bank and its subsidiaries as at 31 December are as follows:

	31/12/	/2012	31/12	/2011
	Face value <u>VNDm</u>	Carrying value <u>VNDm</u>	Face value <u>VNDm</u>	Carrying value <u>VNDm</u>
Bonds issued by the Government	4,712,939	4,947,245	950,000	950,000
Bonds issued by the State Treasury in VND	1,512,939	1,567,016		
Bonds issued by Vietnam Development Bank	3,150,000	3,316,404	950,000	950,000
Municipal bonds	50,000	63,825		
Securities issued by other local credit institutions	362,020	375,018	8,430,000	8,430,106
Bonds issued by Bank for Investment and Development of Vietnam	49,600	62,598	200,000	200,106
Bonds issued by Hanoi Building Commercial J.S. Bank	-	-	130,000	130,000
Bonds issued by Saigon Thuong tin Commercial J.S. Bank	-	-	100,000	100,000
Bills issued by An Binh Commercial J.S Bank	312,420	312,420	-	-
Bills issued by Hanoi Building Commercial J.S Bank	-	-	1,000,000	1,000,000
Bills issued by Southeast Asia Commercial J.S Bank	-	-	7,000,000	7,000,000
Securities issued by local economic				
entities	3,058,000	3,048,309	3,106,000	3,100,422
Bonds issued by No.1 Construction Corporation	300,000	300,000	300,000	300,000
Bonds issued by Song Da Investment and Construction JSC.	300,000	300,000	300,000	300,000
Bonds issued by Hanoi General Export Import JSC.	300,000	295,436	, -	· -
Bonds issued by Saigon – Hanoi Securities				
JSC.	150,000	150,000	250,000	250,000
Bonds issued by other economic entities	2,008,000	2,002,873	2,256,000	2,250,422
	8,132,959	8,370,572	12,486,000	12,480,528

Bonds issued by the State Treasury have terms from two (02) to five (05) years and bear interest at rates ranging from 8.50% p.a. to 13.20% p.a. Interest is paid annually.

Bonds issued by Vietnam Development Bank have terms from two (02) to ten (10) years, and bear interest at rates ranging from 11.20% p.a. to 12.70% p.a.. Interest is paid annually.

Municipal bonds issued by People's Committee of Ho Chi Minh City have term of ten (10) years and bear

interest at rate of 8.80% p.a. Interest is paid annually.

Bonds issued by Bank for Investment and Development of Vietnam have term of five (05) years, and bear interest at rate of 10.33% p.a. Interest is paid annually.

Bills issued by An Binh Commercial Joint Stock Bank are in USD and have term of nine (09) months and bear interest at rate of 2.00% p.a. Interest is paid annually.

Bonds issued by No.1 Construction Corporation have term of three (03) years and bear interest at rate of 12.00% p.a. for the first year. Interest is paid in lump sum for the first year. Interest rate is 15.00% p.a. for the first six-month period of the second year and floated for every 6 months since then (at 3.00% p.a. plus (+) the average interest of Vietnam International Joint Stock Commercial Bank and Saigon-Hanoi Commercial Joint Stock Bank for 12-month saving deposits which interest is paid at maturity. Applicable interest rate of the bonds was 16.00% p.a. as at 31 December 2012.

Bonds issued by Song Da Investment and Construction JSC. have term of five (05) years and bear interest at rate of 13.00% p.a. for the first year. Interest rate is floated for the following years and is calculated at 2.50% p.a. plus (+) the average interest rate for 12-month deposit, which interest is paid in arrears of the Head offices of Bank for Foreign Trade of Vietnam, Bank for Agriculture and Rural Development of Vietnam, Industrial and Commercial Bank of Vietnam and Bank for Investment and Development of Vietnam. As at 31 December 2012, the applicable interest rate of the bonds was 16.30% p.a.

Bonds issued by Hanoi Export-Import Joint Stock Company have term of three (03) years and interest rate applied for the first period is 20.00% p.a. Interest rate is floated for subsequent periods (Interest rate is calculated at 5.50% p.a. plus (+) the average interest rate for 12-month deposit of the four state commercial joint stock banks). Interest is paid annually. Interest rate of the bonds as at 31 December 2012 was 16.50% p.a.

Bonds issued by Saigon – Hanoi Securities Joint Stock Company have term of one (01) year and bear interest at rate of 16.50% p.a. Interest is paid at maturity.

Other bonds have terms from three (03) to ten (10) years and bear interest at rates ranging from 9.00% p.a. to 22.00% p.a. Interest is paid annually or at maturity..

12.1.2 Equity securities

Breakdown of available-for-sale equity securities held by the Bank and its subsidiaries as at 31 December are as follows:

	31/12/2012		31/12/	2011
		% owner-		% owner-
	Cost	ship of the	Cost	ship of the
	<i>VNDm</i>	Bank	<i>VNDm</i>	Bank
Investments in other local credit				
institutions	11,689		11,689	
Bank for Foreign Trade of Vietnam	10,894	0.12	10,894	0.12
Saigon Thuong tin Commercial J.S. Bank	795	0.002	795	0.002
Investment in economic entities	36,335		9,023	
Refrigeration Electrical Engineering				
Corporation	1,680	0.02	1,680	0.02
Petroleum Technical Services Corporation	1,855	0.01	1,855	0.01
Investments in other economic entities	32,800		5,488	
	48,024		20,712	

12.2 Held-to-maturity securities

	31/12/2012		31/12	/2011
		Carrying		Carrying
	Face value	value	Face value	value
	VNDm	VNDm	VNDm	VNDm
Government bonds	900,000	869,688	1,000,000	1,000,000
Treasury bills	900,000	869,688	1,000,000	1,000,000
Bonds issued by other local credit				
institutions	2,345,668	2,345,668	1,610,840	1,610,840
Bills issued by Southeast Asia Commercial J.S Bank	1,300,000	1,300,000	-	-
Bills issued by An Binh Commercial Joint Stock Bank	312,420	312,420	624,840	624,840
Deposit certificates issued by Vietnam-Russia Joint Venture Bank	-	-	500,000	500,000
Bills issued by First Commercial Joint Stock Bank	-	-	200,000	200,000
Bills issued by Dai tin Commercial Joint Stock Bank	-	-	286,000	286,000
Bills issued by Tien Phong Commercial J.S. Bank	733,248	733,248	-	-
Bonds issued by economic entities	1,072,000	1,075,188		
	4,317,668	4,290,544	2,610,840	2,610,840

Treasury bills have terms of six (06) months and were acquired in the open market transaction at discounted price. The Bank has the intention and ability to hold these bonds to maturity.

Bills issued by Southeast Asia Commercial J.S Bank have term of nine (09) months and bear interest at rate of 12.00% p.a., which is paid at maturity. The Bank has the intention and ability to hold these bills to maturity.

Bills issued by An Binh Commercial Joint Stock Bank in USD have term of nine (09) months and bear interest at rate of 2.00% p.a., which is paid at maturity. The Bank has the intention and ability to hold these certificates to maturity.

Bills issued by Tien Phong Commercial Joint Stock Bank have term of six (06) months and bear interest at rates ranging from 2.00% p.a. to 3.60% p.a. for USD and VND, respectively. Interest is paid at maturity. The Bank has the intention and ability to hold these bills to maturity.

Bonds issued by economic entities include corporate bonds which have terms ranging from three (03) to five (05) years and bear interest at rates ranging from 15.10% p.a. to 15.25% p.a.

13. LONG-TERM INVESTMENTS

Other long-term investments
VNDm
334,289
935,858
(834,821)
435,326
(43,623)
391,703

Details of other long-term investments as at 31 December are as follows:

	3	1/12/2012			31/12/2011	
			%			%
			owner-			owner-
	. .	Carrying	ship	<i>.</i> .	Carrying	ship
	Cost VNDm	<u>value</u> VNDm	of the Bank	Cost VNDm	<u>value</u> VNDm	of the Bank
Investments in Engage in Linetitutions			<u></u>			<u></u>
Investments in financial institutions	199,935	199,935		118,880	118,880	
Viet Capital Healthcare Fund	50,000	50,000	10.00	-	-	
Saigon – Hanoi Securities JSC.	82,180	82,180	8.22	82,180	82,180	8.22
SHB – Vinacomin Insurance JSC.	30,000	30,000	10.00	30,000	30,000	10.00
Investments in other financial						
institutions	37,755	37,755		6,700	6,700	
Investments in economic entities	235,391	235,391		215,409	215,409	
Phuoc Hoa Rubber JSC.	27,859	27,859	0.62	27,859	27,859	0.62
Son Lam Company Limited	-	-		135,000	135,000	10.69
SHB – Da Nang Sport JSC.	-	-		550	550	11.00
Lilama SHB Investment and						
Construction JSC.	19,500	19,500	6.36	-	-	-
Investments in other economic entities	188,032	188,032		52,000	52,000	
	435,326	<u>435,326</u>		<u>334,289</u>	334,289	

Investments in other financial institutions and other economic entities are equity investments of the Bank with the ownership of less than 11.00%.

14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets during the year ended 31 December 2012 were as follows:

	Building,	Machines			Orther	
	building	and	Motor	Office	tangible	
	improvements	equipments	vehicles	equipment	assets	Total
	<i>VNDm</i>	<i>VNDm</i>	<u>VNDm</u>	<i>VNDm</i>	<u>VNDm</u>	<u>VNDm</u>
Cost						
Opening balance	49,170	54,628	81,666	60,861	6,459	252,784
Transferred from Habubank	138,685	127,277	43,057	46,729	14,812	370,560
Additions in the year	6,552	27,752	23,758	10,218	1,971	70,251
Finished construction	322	1,923	-	6,639	-	8,884
Other increases	-	-	76	-	-	76
Disposals	-	(433)	(511)	(1,313)	(46)	(2,303)
Other decreases		(9)				(9)
Closing balance	194,729	211,138	148,046	123,134	23,196	700,243
Accumulated depreciation						
Opening balance	10,484	18,895	24,176	28,504	2,943	85,002
Transferred from Habubank	18,440	84,431	19,555	32,311	8,151	162,888

	Building, building improvements <u>VNDm</u>	Machines and equipments <u>VNDm</u>	Motor vehicles <u>VNDm</u>	Office equipment <u>VNDm</u>	Orther tangible assets <u>VNDm</u>	Total <u>VNDm</u>
Charged for the year	5,523	18,432	12,749	14,586	2,365	53,655
Finished construction	18	438	-	1,315	-	1,771
Other increases	-	15	1	-	-	16
Disposals	-	(421)	(252)	(1,245)	(46)	(1,964)
Other decreases	<u>-</u>	(8)				(8)
Closing balance	34,465	<u>121,782</u>	56,229	<u>75,471</u>	13,413	301,360
Net book value						
Opening balance	38,686	35,733	<u>57,490</u>	32,357	<u>3,516</u>	<u>167,782</u>
Closing balance	160,264	<u>89,356</u>	91,817	47,663	9,783	398,883

Movements of tangible fixed assets during the year ended 31 December 2011 were as follows:

	Building, building improvements <u>VNDm</u>	Machines and equipments <u>VNDm</u>	Motor vehicles <u>VNDm</u>	Office equipment <u>VNDm</u>	Orther tangible assets <u>VNDm</u>	Total <u>VNDm</u>
Cost						
Opening balance	47,646	20,840	64,644	39,237	4,398	176,765
Additions in the year	1,524	6,542	17,495	21,782	2,061	49,404
Finished construction	-	27,243	-	-	-	27,243
Other increases	-	3	-	-	-	3
Disposals	-	-	(473)	(158)	-	(631)
Closing balance	49,170	54,628	<u>81,666</u>	60,861	6,459	252,784
Accumulated						
depreciation						
Opening balance	7,517	7,974	16,156	16,886	1,678	50,211
Charged for the year	2,967	10,921	8,220	11,766	1,265	35,139
	-	-	-	-	-	-
	-	-	-	-	-	-
Disposals	-	-	(200)	(148)	-	(348)
Closing balance	10,484	18,895	<u>24,176</u>	28,504	2,943	<u>85,002</u>
Net book value						
Opening balance	40,129	12,866	48,488	22,351	<u>2,720</u>	126,554
Closing balance	38,686	35,733	<u>57,490</u>	32,357	<u>3,516</u>	167,782

14.2 Intangible assets

Movements of intangible assets during the year ended 31 December 2012 were as follows:

	Land use rights	Computer software	Other intangible assets	Total
	VNDm	VNDm	VNDm	VNDm
Cost				
Opening balance	2,030,651	53,512	21,983	2,106,146
Transferred from Habubank	28,889	78,678	439	108,006
Additions in the year	-	16,772	-	16,772
Increase from completion of assets purchase	-	34,009	-	34,009
Other additions	1,589,761	-	-	1,589,761
Disposals	(37,518)	(97)	-	(37,615)
Other decreases				
Closing balance	3,611,783	182,874	22,422	3,817,079
Accumulated amortisation				
Opening balance	631	14,064	4,250	18,945
Transferred from Habubank	-	44,053	439	44,492
Charged for the year	158	23,838	1,499	25,495
Increase from completion of assets purchase	-	-	-	-
Other increases	-	-	-	-
Disposals	-	(97)	-	(97)
Other decreases				
Closing balance	789	81,858	6,188	88,835
Net book value				
Opening balance	2,030,020	39,448	17,733	2,087,201
Closing balance	3,610,994	101,016	16,234	3,728,244

Movements of intangible assets during the year ended 31 December 2011 are as follows:

	Land use rights <u>VNDm</u>	Computer software <u>VNDm</u>	Other intangible assets <u>VNDm</u>	Total <u>VNDm</u>
Cost				
Opening balance	1,380,378	5,988	20,000	1,406,366
Purchase in the year	-	4,478	1,983	6,461
Additions due to the completion of fixed asset	650,273	43,046	-	693,319
Other additions	-	-	-	-
Disposals	-	-	-	-
Other decreases				
Closing balance	2,030,651	53,512	21,983	2,106,146

	Land use rights VNDm	Computer software VNDm	Other intangible assets VNDm	Total VNDm
Accumulated depreciation				
Opening balance	473	3,292	3,001	6,766
Charged for the year	158	10,772	1,249	12,179
Other increases	-	-	-	-
Disposals	-	-	-	-
Other decreases				
Closing balance	631	14,064	4,250	18,945
Net book value				
As at 31 December 2010	1,379,905	2,696	16,999	1,399,600
As at 31 December 2011	2,030,020	39,448	<u>17,733</u>	2,087,201

15. INVESTMENT PROPERTIES

Movements of investment properties for the year ended 31 December 2012 were as follows:

	Land	
	use rights	Total
	VNDm	<i>VNDm</i>
Cost		
Opening balance	-	-
Increases	85,456	85,456
Decreases		
Closing balance	85,456	85,456
Accumulated depreciation		
Opening balance	-	-
Increases	-	-
Decreases		
Closing balance		
Net book value		
Opening balance		<u> </u>
Closing balance	<u>85,456</u>	<u>85,456</u>

16. OTHER ASSETS

	31/12/2012	31/12/2011
	<i>VNDm</i>	VNDm
Receivables	1,494,165	2,599,671
In which		
- Receivables (Note 16.1)	1,267,695	2,545,850
- Construction in progress (Note 16.2)	226,470	53,821
Trusted investments (Note 16.3)	2,803,585	779,481
Interest and fee receivables	4,460,581	1,645,443
Other assets (Note 16.4)	1,452,808	145,134
Deferred income tax assets	110	-
Allowance for impairment of other assets	(64,728)	(107)
	10,146,521	5,169,622

16.1 Receivables

	31/12/2012	31/12/2011
	VNDm	<u>VNDm</u>
Internal receivables	26,369	6,201
Receivables from employees	24,187	3,423
Other internal receivables	2,182	2,778
External receivables	1,241,326	2,539,649
Deposits	7,955	2,233
Advances for Enterprise Income Tax	151,998	-
Receivables from interest subsidy of the SBV	11,908	10,681
Prepaid expense	178,712	153,349
Dividend advances	-	384,867
Advances for long-term investments of AMC	-	665,521
Receivables of AMC	25,803	24,347
Receivables of SHBS	49,229	-
Receivables from customers	606,596	-
Advances to suppliers	-	1,161,186
Other receivables	209,125	137,465
	1,267,695	2,545,850
Provision for receivables (*)	(56,721)	<u> </u>
	1,210,974	2,545,850

^(*) The Bank and its subsidiaries make provision for receivables in accordance with Circular No. 228/2009/TT-BTC.

16.2 Construction in progress

	31/12/2012	31/12/2011
	<i>VNDm</i>	<i>VNDm</i>
Purchase of fixed assets		
Purchase of land use rights	173,807	6,600
Core banking	-	30,410
Construction of SHB Danang Sport Centre	45,265	1,990
Others	7,398	14,821
	226,470	53,821

16.3 Trusted investments

Details of trusted investments of the Bank and its subsidiaries at the end of the accounting periods are as follows:

	31/12/2012 VNDm	31/12/2011 VNDm
Trusted investments for portfolio management	725,331	733,162
Trusted investments for REPO	1,449,674	-
Trusted investments for loans	46,319	46,319
Other trusted investments	582,261	
	2,803,585	779,481
Provision for trusted investments	(8,007)	
	2,795,578	779,481

16.4 Other assets

	31/12/2012 VNDm	31/12/2011 VNDm
Materials and equipments	4,683	4,243
Prepaid rental	40,075	15,278
Prepaid interest expense	24,397	88,145
Foreclosed assets	1,135	1,135
Deferred settlement (*)	638,331	-
Purchased debts of AMC	624,269	-
Others	119,918	36,333
	1,452,808	145,134

^(*) This included receivables from Vietnam Development Bank of VNDm 555,000 on interest and principal payments for matured bonds through CITAD.

117. BORROWINGS FROM THE GOVERNMENT AND THE SBV

		2,184,954
Other borrowings		
Borrowings from the Ministry of Finance	-	-
Borrowings secured by valuable papers	-	375,448
Discounting and rediscounting of valuable papers	-	1,109,506
Borrowings secured by credit files	-	700,000
Borrowings from the SBV	-	2,184,954
	31/12/2012 VNDm	31/12/2011 VNDm

18. DEPOSITS AND BORROWINGS FROM OTHER BANKS

Detailed deposits from other banks and borrowings of the Bank and its subsidiaries at the end of accounting periods are as follows:

	31/12/2012 VNDm	31/12/2011 VNDm
Deposits from other banks	15,505,603	15,909,083
Demand deposits	934,967	3,073,463
In VND	921,868	3,073,432
In gold and foreign currencies	13,099	31
Term deposits	14,570,636	12,835,620
In VND	13,800,000	11,752,564
In gold and foreign currencies	770,636	1,083,056
Borrowings from other banks	6,271,648	-
In VND	4,897,000	-
In gold and foreign currencies	1,374,648	
	21,777,251	15,909,083

19. DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS

19.1 Analysis by products

	31/12/2012 VNDm	31/12/2011 VNDm
Demand deposits	6,078,529	4,291,402
Demand deposits in VND	4,454,715	3,623,085
Demand saving deposits in VND	16,018	7,464
Demand deposits in gold and foreign currencies	1,535,043	660,852
Demand saving deposits in gold and foreign currencies	72,753	1
Term deposits	71,399,622	30,337,921
Term deposits in VND	24,032,980	11,109,119
Term saving deposits in VND	42,381,115	17,234,984
Term deposits in gold and foreign currencies	478,919	272,868
Term saving deposits in gold and foreign currencies	4,506,608	1,720,950
Deposits for specific purpose	8	7
Margin deposits	120,361	156,284
Margin deposits in VND	78,990	102,677
Margin deposits in gold and foreign currencies	41,371	53,607
	77,598,520	34,785,614

	2012 Average interest rate % p.a	2011 Average interest rate <u>% p.a</u>
Demand deposits in VND	2.00	2.45
Demand saving deposits in VND	2.00	2.45
Demand deposits in USD	0.20	0.19
Demand saving deposits in USD	0.50	0.19
Term deposits in VND	10.20	13.65
Saving deposits in VND	9.90	13.50
Term saving deposits in USD	2.00	2.00

If customers withdraw term saving deposits before maturity, the interest rate for demand saving deposits shall be applied.

19.2 Analysis by customers

	31/12/2012 VNDm	31/12/2011 VNDm
Deposits from business entities	22,881,460	14,414,669
State-owned enterprises	10,230,136	5,558,756
Private enterprises and others	12,458,386	8,509,756
Foreign invested enterprises	192,938	346,157
Deposits from individuals	53,114,225	20,289,700
Deposits from others	1,602,835	81,245
	77,598,520	34,785,614

20. OTHER BORROWED FUNDS

	385,245	226,386
Funds borrowed in foreign currencies	5,630	923
Funds borrowed in VND	379,615	225,463
	<i>VNDm</i>	<i>VNDm</i>
	31/12/2012	31/12/2011

20.1 Funds borrowed in VND

Details of funds borrowed in VND as at 31 December are as follows:

		31/12/2012	2		31/12/2011	1
I am dia a ann amin ations	T	VAID	Interest rate	T	MAID	Interest rate
<u>Lending organisations</u>	Terms	<u>VNDm</u>	% p.a	Terms	<u>VNDm</u>	% p.a
Medium-term borrowings in VND from Rural Finance Project II (RDF II)	over 30 months	71,685	9.45	over 30 months	59.780	13.92
Hom Kurai Finance Project ii (KDF II)	30 1110111115	71,063	9.43	30 1110111115	39,760	13.92
Medium-term borrowings in VND	over			over		
from Rural Finance Project III (RDF III)	18 months	222,879	9.45	18 months	139,133	13.92
Medium-term borrowings in VND from Small and Medium Enterprise	over			over		
Development Fund - Phase III	30 months	<u>85,051</u>	8.75	30 months	26,550	7.50
		<u>379,615</u>			<u>225,463</u>	

Borrowings from Rural Finance Project II and III are borrowings from International Development Association (World Bank) through the Ministry of Finance to provide loans to households for the rural development and poverty reduction in Vietnam. In 2011, International Development Association has restructured the medium-term loan under Rural Finance Project II; increased the lending period to 30 months. The interest rate on these loans is 9.45% p.a. (2011: 13.92% p.a.). Loans to households bear interest rates as declared by the Bank in different periods.

Medium-term borrowings in VND from Small and Medium Enterprises Development Fund - 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. These loans bear a floating rate, which is adjusted every three months. The interest rate in the period was at 8.75% p.a (7.50% for 2011). Loans to small and medium enterprises bear interest rates as declared by the Bank in different periods. Principal and interest on these loans are repaid every three months.

20.2 Funds borrowed in foreign currencies

Details of funds borrowed in foreign currencies as at 31 December are as follows:

		31/12/2012			31/12/2011	
			Interest			Interest
			rate			rate
Lending organisations	Terms	VNDm	% p.a.	<u>Terms</u>	<u>VNDm</u>	<u> % p.a</u>
International Development Association (World Bank)	20 years	<u>5,630</u>	0.75	20 years	923	0.75
		<u>5,630</u>			923	

21. VALUABLE PAPERS ISSUED BY THE BANK

	31/12/2012	31/12/2011
	VNDm	VNDm
Certificate of deposits	-	-
Under 12 months	-	-
From 12 months up to 5 years	-	-
Promissory notes	4,370,389	11,205,240
Under 12 months	4,370,389	11,205,240
From 12 months up to 5 years		
Bonds	-	-
Under 12 months	-	-
From 12 months up to 5 years	-	-
Other valuable papers		-
	<u>4,370,389</u>	11,205,240

Promissory notes with terms less than 12 months bear interest at rates ranging from 9.00% p.a. to 14.00% p.a. for VND and 2.00% p.a. to 4.20% p.a. for foreign currencies.

22. OTHER PAYABLES

	31/12/2012 VNDm	31/12/2011 <u>VNDm</u>
Internal payables	14,346	37,243
Payables to employees	1,732	641
Termination allowance reserve	-	1,242
Bonus and welfare funds	399	15,239
Other internal payables	12,215	20,121
External payables	897,061	260,424
Payables for construction and fixed asset acquisition	6,007	6,033
Value Added Tax payables	1,323	1,372
Enterprise Income Tax payables	134,662	109,917
Payables to the SBV	8,527	5,528
Outstanding lodgment	718,277	92,253
Transfer payables	6,861	34,213
Prepaid guarantee fee	21,404	11,108
	911,407	297,667

23. OBLIGATIONS TO THE STATE

V٨	lDm
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	Opening <u>Movement during the year</u>		Closing	
	<u>balance</u>	Payable	<i>Paid</i>	balance
Value Added Tax	1,372	14,529	(14,578)	1,323
Enterprise Income Tax for 2012	109,917	137,289	(112,544)	134,662
Advances for Enterprise Income Tax	-	-	(151,998)	(151,998)
Deferred income tax of Cambodia				
branch	-	645	-	645
Other taxes	3,158	50,799	(49,468)	4,489
	114,447	203,262	(328,588)	(10,879)

23.1 Current Enterprise Income Tax

The Bank and its subsidiaries have the obligation to pay Enterprise Income Tax ("EIT") at the rate of 25% of taxable profits (2011: 25%).

For the Cambodian branch, the Bank computes its EIT in compliance with Cambodian regulations on enterprise tax income. According to the Tax Act dated 8 January 1997, the enterprise income tax of the Cambodian branch is the greater of 1.00% of total revenue (including value added tax) and 20.00% profits earned.

For the branch in Laos, the Bank shall calculate and determine its EIT based on the income tax provisions in Laos. According to the Tax Ordinance No. 001/PRD by the Lao Prime Minister issued on 1 March 2011 and effective from 1 January 2012, EIT of the branch is defined as the greater of 1.00% of total revenue or 28% of the profit of the branch.

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

Current Enterprise Income Tax payables are determined based on taxable income of the current year. Taxable income may be different from the one reported in the consolidated income statement since taxable income excludes incomes which are eligible for tax or expenses which are subtracted in prior years due to the differences between the Bank and its subsidiaries' accounting policies and the current tax policies, and also excludes tax exempted income and non-deductible expenses. The current Enterprise Income Tax payables of the Bank and its subsidiaries are calculated based on the statutory tax rates applicable at the end of the fiscal year.

Operating profit before tax1,825,2031,000,962Adjusted for:10,910(9,229)Income from disposal of real estates(537,886)-Income from disposal of real estates(537,886)-Accumulated losses transferred by Habubank(1,660,775)-Profit of subsidiaries which is separately taxed19,132(57,909)Taxable income/(loss) of the Bank(365,236)933,824EIT expense of the Bank in Vietnam (i)-232,830Additional EIT adjustments for the year 2010 and 2011 (ii)1,344-EIT expense of Cambodian branch (iii)514-EIT expense of Laos branch (iv)117-Additional EIT expense of subsidiaries at the rate of 25% (v)84315,103Income tax from activities which is separately taxed (vi)134,472-Total EIT in the year (i+ii+iii+ii+v+v+vi)137,289247,933Adjustments of EIT in the year137,289247,933EIT payable at the beginning of the year109,917121,241EIT paid during the year(264,542)(259,257)EIT payable/(receivable) at the end of the period(17,336)109,917In which-Advances for EIT(151,998) Advances for EITEIT payable at the end of the year134,662109,917		31/12/2012 <u>VNDm</u>	31/12/2012 <u>VNDm</u>
- Dividend income exempt from EIT (10,910) (9,229) - Income from disposal of real estates (537,886) Accumulated losses transferred by Habubank (1,660,775) Profit of subsidiaries which is separately taxed 19,132 (57,909) Taxable income/(loss) of the Bank (365,236) 933,824 EIT expense of the Bank in Vietnam (i) - 232,830 Additional EIT adjustments for the year 2010 and 2011 (ii) 1,344 - EIT expense of Cambodian branch (iii) 514 EIT expense of Laos branch (iv) 117 - Additional EIT expense of subsidiaries at the rate of 25% (v) 843 15,103 Income tax from activities which is separately taxed (vi) 134,472 Total EIT in the year (i+ii+iii+iv+v+vi) 137,289 247,933 Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998) -	Operating profit before tax	1,825,203	1,000,962
- Income from disposal of real estates - Accumulated losses transferred by Habubank - Profit of subsidiaries which is separately taxed 19,132 (57,909) Taxable income/(loss) of the Bank EIT expense of the Bank in Vietnam (i) - 232,830 Additional EIT adjustments for the year 2010 and 2011 (ii) 1,344 - EIT expense of Cambodian branch (iii) 514 EIT expense of Laos branch (iv) 117 - Additional EIT expense of subsidiaries at the rate of 25% (v) 843 15,103 Income tax from activities which is separately taxed (vi) 134,472 - Total EIT in the year (i+ii+iii+iv+v+vi) 137,289 247,933 Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year EIT payable/(receivable) at the end of the period (17,336) 109,917	Adjusted for:		
- Accumulated losses transferred by Habubank - Profit of subsidiaries which is separately taxed 19,132 (57,909) Taxable income/(loss) of the Bank EIT expense of the Bank in Vietnam (i) - 232,830 Additional EIT adjustments for the year 2010 and 2011 (ii) 1,344 - EIT expense of Cambodian branch (iii) 514 EIT expense of Laos branch (iv) 117 - Additional EIT expense of subsidiaries at the rate of 25% (v) 843 15,103 Income tax from activities which is separately taxed (vi) 134,472 - Total EIT in the year (i+ii+iii+iii+v+v+vi) 137,289 247,933 Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917	- Dividend income exempt from EIT	(10,910)	(9,229)
Profit of subsidiaries which is separately taxed Taxable income/(loss) of the Bank EIT expense of the Bank in Vietnam (i) Additional EIT adjustments for the year 2010 and 2011 (ii) EIT expense of Cambodian branch (iii) EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) Additional EIT expense of subsidiaries at the rate of 25% (v) Income tax from activities which is separately taxed (vi) Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments EIT payable at the beginning of the year EIT paid during the year EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period In which Advances for EIT (151,998)	- Income from disposal of real estates	(537,886)	-
Taxable income/(loss) of the Bank EIT expense of the Bank in Vietnam (i) Additional EIT adjustments for the year 2010 and 2011 (ii) EIT expense of Cambodian branch (iii) EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) Additional EIT expense of subsidiaries at the rate of 25% (v) Additional EIT expense of subsidiaries at the rate of 25% (v) Income tax from activities which is separately taxed (vi) Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments I137,289 247,933 EIT payable at the beginning of the year I109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period In which Advances for EIT (151,998)	- Accumulated losses transferred by Habubank	(1,660,775)	-
EIT expense of the Bank in Vietnam (i) Additional EIT adjustments for the year 2010 and 2011 (ii) 1,344 EIT expense of Cambodian branch (iii) 514 EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) 843 15,103 Income tax from activities which is separately taxed (vi) 134,472 - Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period In which Advances for EIT (151,998)	- Profit of subsidiaries which is separately taxed	19,132	(57,909)
Additional EIT adjustments for the year 2010 and 2011 (ii) EIT expense of Cambodian branch (iii) EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) Additional EIT expense of subsidiaries at the rate of 25% (v) Income tax from activities which is separately taxed (vi) Income tax from ac	Taxable income/(loss) of the Bank	(365,236)	933,824
EIT expense of Cambodian branch (iii) EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) Income tax from activities which is separately taxed (vi) Income tax from activit	EIT expense of the Bank in Vietnam (i)	-	232,830
EIT expense of Laos branch (iv) Additional EIT expense of subsidiaries at the rate of 25% (v) B43 15,103 Income tax from activities which is separately taxed (vi) Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998)	Additional EIT adjustments for the year 2010 and 2011 (ii)	1,344	-
Additional EIT expense of subsidiaries at the rate of 25% (v) Income tax from activities which is separately taxed (vi) Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998)	EIT expense of Cambodian branch (iii)	514	
Income tax from activities which is separately taxed (vi) Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year EIT paid during the year (264,542) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998)	EIT expense of Laos branch (iv)	117	-
Total EIT in the year (i+ii+iii+iv+v+vi) Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998)	Additional EIT expense of subsidiaries at the rate of 25% (v)	843	15,103
Adjustments of EIT in the year Total EIT in the year after adjustments 137,289 247,933 EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which Advances for EIT (151,998)	Income tax from activities which is separately taxed (vi)	134,472	
Total EIT in the year after adjustments EIT payable at the beginning of the year EIT paid during the year EIT payable/(receivable) at the end of the period In which Advances for EIT 137,289 247,933 109,917 121,241 (259,257) (17,336) 109,917	Total EIT in the year (i+ii+iii+iv+v+vi)	137,289	247,933
EIT payable at the beginning of the year 109,917 121,241 EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which (151,998) -	Adjustments of EIT in the year	-	-
EIT paid during the year (264,542) (259,257) EIT payable/(receivable) at the end of the period (17,336) 109,917 In which - Advances for EIT (151,998) -	Total EIT in the year after adjustments	137,289	247,933
EIT payable/(receivable) at the end of the period (17,336) 109,917 In which - Advances for EIT (151,998) -	EIT payable at the beginning of the year	109,917	121,241
In which - Advances for EIT (151,998) -	EIT paid during the year	(264,542)	(259,257)
- Advances for EIT (151,998) -	EIT payable/(receivable) at the end of the period	(17,336)	109,917
	In which		
- EIT payable at the end of the year 134,662 109,917	- Advances for EIT	(151,998)	-
	- EIT payable at the end of the year	134,662	109,917

23.2 Deferred income tax assets

	31/12/2012
Deferred income tax assets at the beginning of the year	-
Deferred income tax assets transferred by Habubank	110
	110

23.3 Deferred income tax liabilities

	31/12/2012
Deferred income tax liabilities at the beginning of the year	-
Deferred income tax liabilities for the year	645
	645

24. OWNERS' EQUITY AND RESERVES

24.1 Statement of changes in owners' equity

Changes in owners' equity of the Bank in the year ended 31 December 2012 are described in the following table:

VNDm

	Charter capital	Capital surplus	Treasury shares	Investment and developm- ent fund	Financial reserve	Supplemental capital reserve	Foreign currency translation reserve	Minority interest	Retained earnings	Total
Opening balance	4,815,795	98,000	(5,260)	13	180,502	97,594	6	ı	644,215	644,215 5,830,868
Increase in the year										
Transferred from Habubank	4,050,000	3,716	1	•	196,740	42,875	•	2,334	2,334 (1,660,775)	2,634,890
Net profit for the year	ı	ı	ı	1	ı	ı	1	428	1,686,841	1,687,269
Temporary appropriation to reserves for current year	1	ı	ı	ı	ı	80	ı	ı	(8)	1
Other increases	ı	ı	ı	ı	ı	ı	ı	1	2,695	2,695
Decrease in the year										
Appropriation to welfare and bonus fund for the previous year	ı	ı	1	ı	1	,	ı	1	(21,502)	(21,502)
Final dividend payment for the previous year			1						(625,408)	(625,408)
Closing balance	8,865,795 101,716	101,716	(5,260)	13	377,242	140,477	6	2,762	26,058	26,058 9,508,812

24.1 Merger with Hanoi Building Commercial Joint Stock Bank

On 15 June 2012, the Governor of the State Bank of Vietnam issued Official Letter No. 3651/NHNN-TTGSNH to approve in principle the Merger of Hanoi Building Commercial Joint Stock Bank into Saigon - Hanoi Commercial Joint Stock Bank in accordance with the Merger Plan of the two banks. Subsequently on 1 September 2012, Hanoi Building Commercial Joint Stock Bank ("Habubank") was officially merged into Saigon – Hanoi Commercial Joint Stock Bank under Decision No. 1559/QD-NHNN dated 7 August 2012 issued by the Governor of the State Bank. According to the approved Merger Plan, the net assets of Habubank were added to the Bank's capital and reserves.

24.2 Statement of changes in owners' equity

In 2012, the Bank's charter capital has increased as follows:

<u>Date</u>	Decision No	<u>VNDm</u>	Method of equity contribution
23/6/2012	16/NQ-HĐQT	4,050,000	Additional shares issuance for the Merger of Habubank into the Bank under the approved Merger Plan of the two banks.

Details of shares issued by the Bank as at 31 December are as follows:

	31/12/2012	31/12/2011
Shares authorised for issuance	886,827,640	481,827,640
Shares issued and fully paid	886,579,547	481,579,547
Ordinary shares	886,579,547	481,579,547
Preference shares	-	-
Treasury shares	722,257	496,186
Ordinary shares	722,257	496,186
Preference shares	-	-
Outstanding shares	885,857,290	481,083,361
Ordinary shares	885,857,290	481,083,361
Preference shares	-	-
Face value of outstanding shares (VND/share)	10,000	10,000

24.3 Reserves of the Bank and its subsidiaries

In accordance with related laws and regulations, the Bank and its subsidiaries shall appropriate supplemental capital reserve and financial reserve. The appropriation of reserves is performed in accordance with Resolution of the Annual General Meeting of Shareholders.

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of outstanding ordinary shares during the year. The Bank's earnings per share are calculated as follows

	2012 VNDm	2011 VNDm
Net profit for the year	1,686,841	753,029
Less:		
 Appropriation for other reserves (except for supplementary capital reserves and financial reserves) 	-	-
- Accumulated losses transferred from Habubank	(1,660,775)	
Net profit distributable to shareholders	26,066	753,029
Weighted average number of outstanding ordinary shares (million shares)	787	432
Diluted earnings per share (VND/share)	33	1,745

26. DIVIDENDS

	2012 VNDm	2011 VNDm
Dividends declared and paid for previous year	270,100	227,106
Dividends on ordinary shares	270,100	227,016
Dividends on preference shares	-	-
Dividends declared and paid for current year	-	384,867
Dividends on ordinary shares	-	384,867
Dividends on preference shares	-	-
Dividends of cumulative preference shares have not been recorded	-	_

27. INTEREST AND SIMILAR INCOME

	2012	2011
	<i>VNDm</i>	<i>VNDm</i>
Interest income from deposits with other banks	2,320,447	1,204,627
Interest income from loans to customers	5,573,873	4,833,816
Interest income from debt securities	1,449,429	1,404,091
Other interest income from credit activities	607,740	338,524
	9,951,489	<u>7,781,058</u>

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28. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses for customer deposits
Interest and similar expenses for borrowings
Interest expenses for issued valuable papers
Other expenses for credit activities

2012	2011
<i>VNDm</i>	VNDm
7,172,853	5,284,590
210,629	176,217
614,557	421,916
77,922	801
8,075,961	5,883,524

29. NET FEE AND COMMISSION INCOME

	2012 VNDm	2011 VNDm
Fee and commission income from	193,828	256,348
Settlement services	52,525	59,828
Guarantee and treasury services	81,110	98,409
Agency services	800	34
Other services	59,393	98,077
Fees and commission expenses for	(41,731)	(37,900)
Settlement services	(11,608)	(9,839)
Guarantee and treasury services	(6,489)	(3,792)
Other services	(23,634)	(24,269)
Net fee and commission income	152,097	218,448

30. NET GAIN FROM FOREIGN CURRENCY TRADING

		<i>VNDm</i>
Income from foreign currency trading	103,400	110,797
Income from foreign exchange spot contracts	58,788	75,218
Income from currency derivatives	44,612	35,579
Expenses for foreign currency trading	(55,437)	(56,035)
Expenses for foreign exchange spot contracts	(42,690)	(30,760)
Expenses for currency derivatives	(12,747)	(25,275)
Net gain from foreign currency trading	<u>47,963</u>	<u>54,762</u>

31. NET GAIN/(LOSS) FROM TRADING SECURITIES

	2012	2011
	<i>VNDm</i>	VNDm
Income from trading securities	162,638	1,793
Expenses for trading securities	(6,251)	(1,897)
Provision for impairment of trading securities	(16,011)	(17,678)
Net gain/(loss) from trading securities	<u>140,376</u>	(17,782)

32. NET GAIN/(LOSS) FROM INVESTMENT SECURITIES

Income from trading of available-for-sale securities
Expense for trading of available-for-sale securities
Provision for impairment of available-for-sale securities
Net gain/(loss) from available-for-sale securities
Net gain/(loss) from held-to-maturity securities
Net gain/(loss) from investment securities

2011	2012
<i>VNDm</i>	<i>VNDm</i>
6,477	38,758
(14,499)	(14,791)
(1,267)	(419)
(9,289)	23,548
(9,289)	23,548

33. NET GAIN FROM OTHER OPERATING ACTIVITIES

Net gain from debt trading activities
Income from debt trading activities
Expenses for debt trading activities
Net gain from other operating activities
Income from other operating activities
medine nom other operating activities

2012 <u>VNDm</u>	2011 <u>VNDm</u>
107,697	70,579
107,697	70,579
-	-
581,337	4,853
613,457	6,459
(32,120)	(1,606)
689,034	75,432

34. DIVIDEND INCOME

Dividends received during the year

- from trading equity securities
- from investment equity securities
- from capital contribution and other long-term investments

2012	2011
VNDm	VNDm
42	543
6,233	251
	251
4,635	8,435
10,910	9,229

35. OPERATING EXPENSES

Tax expenses and fees
Employee expenses
Salary expenses
Expenses on shift meals for employees
Salary related remuneration
Other allowances

2012 <u>VNDm</u>	2011 <u>VNDm</u>
28,689	30,120
732,037	510,879
647,566	449,078
41,983	30,342
13,411	11,367
29,077	20,092

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Expenses on fixed assets	2012 <u>VNDm</u> 240,435	2011 <u>VNDm</u> 152,194
In which: - Depreciation expenses	80.921	47.318
General and administration expenses	537,010	407,226
In which:		
- Business trip expenses	23,391	12,183
- Expenses for trade union activities	226	409
Insurance for customer deposits	38,659	22,059
Provision for other long-term investments	39,265	976
Other provision	62,898	2,382
	1,678,993	1,125,836

36. CASH AND CASH EQUIVALENTS

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

	31/12/2012 VNDm	31/12/2011 VNDm
Cash and cash equivalents on hand	484,887	425,219
Balance with the State Bank	3,031,869	35,112
Demand deposits with other banks	1,117,210	3,158,282
Deposits with and loans to other banks with term under 3 months	6,907,624	10,308,878
Securities with maturity of under 3 months	124,968	6,286,000
	11,666,558	20,213,491

37. EMPLOYEES' REMUNERATION

		Actual amount <u>2012</u>	Actual amount <u>2012</u>
I. Avera	age number of employees (persons)	4,996	2,861
II. Emp	loyees' income (VNDm)		
1.	Total salary	647,566	449,078
2.	Bonus	-	-
3.	Other income		
4.	Total income (1+2+3)	647,566	449,078
5.	Salary per capita per month	10.80	13.08
6.	Income per capita per month	10.80	13.08

38. COLLATERALS

Real estate properties Movable assets Valuable papers Other assets

Carrying value at the reporting date (VNDm)		
31/12/2012	31/12/2011	
46,623,609	26,876,565	
20,873,588	18,779,778	
11,971,474	3,132,018	
24,729,449	13,077,087	
104,198,120	61,865,448	

39. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments which are recorded as off-balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognised in the consolidated balance sheet.

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

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

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

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

The Bank usually requires customers to place margin deposits for credit related financial instruments. The value of deposits may vary from 0% to 100% of the value of commitments issued depending on the customers' trustworthiness.

The outstanding commitments and contingent liabilities as at 31 December are as follows:

Financial letter of guarantees
At sight letters of credit
Deferred payment letters of credit
Other commitments

31/12/2012 VNDm	31/12/2011 VNDm
2,366,411	2,587,953
168,802	338,341
167,635	199,887
2,584,320	82,625
5,287,168	3,208,806

40. RISK-FREE TRUST FUNDS RECEIVED AND AGENCY ACTIVITIES

	31/12/2012	31/12/2011
	<i>VNDm</i>	<i>VNDm</i>
Trusted funds received from international organisations	-	-
Other loans from the Government	-	-
Trusted funds received from other organisations	166,000	166,000
	166,000	166,000

Trusted funds received from other organizations includes the trusted fund of PetroVietnam Insurance Joint Stock Corporation (VNDm 100,000) with term of 54 months and the syndicated loan with Dai Tin Commercial Joint Stock Bank (VNDm 66,000) with term of 126 months to provide loan to Vietnam Shipbuilding Industry Group. The Bank does not bear risk from these trust funds.

41. **RELATED PARTY TRANSACTIONS**

Related party transactions include all transactions undertaken with other entities to which the Bank and its subsidiaries are related. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. A party is deemed a related party to the Bank and its subsidiaries if:

- directly, or indirectly through one or more intermediaries, the party: (a)
 - controls, is controlled by, or is under common control with the Bank and its subsidiaries (this includes parents and subsidiaries);
 - has interest in the Bank that gives it significant influence over the Bank;
 - has joint control over the Bank and its subsidiaries;
- the party is a joint-venture, associate in which the Bank and its subsidiaries are the venturer, (b) investor;
- the party is a member of the key management personnel of the Bank and its subsidiaries or their parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c); and
- the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which (e) significant voting power in such the Bank and its subsidiaries reside with, directly or indirectly, any individual referred to in (c) or (d).

Summary of significant transactions with related parties during the year ended 31 December 2012 is as follows:

Transactions	<i>VNDm</i>
Income from trust contracts	128,280
Dividends received	3,000
Payment for advertising activities	42,751

Summary of receivables from and payables to related parties as at 31 December 2012 is as follows:

<u>Transactions</u>	Receivables <u>VNDm</u>	Payables <u>VNDm</u>
Loans	1,711,502	-
Trusted investments	645,332	-
Investment in bonds	700,000	-
Accrued interest from loans, bonds and trust funds	683,286	-
Demand deposits	-	876,302
Term deposits	-	1,105,500
Accrued interest expense for related parties' deposits	-	15,272

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

	56,939,724	77,598,520	5,287,168	1,710,624	12,749,704
Overseas	897,890	334,943			
Domestic	56,041,834	77,263,577	5,287,168	1,710,624	12,749,704
	<u>balance</u>	<u>Total deposits</u>	<u>commitments</u>	<u>value)</u>	<u>securities</u>
	Total loan		Credit	(Total contract	investment
				Derivatives	Trading and

43. RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

The Bank and its subsidiaries' objective is to optimise the shareholders' wealth and maintain a sustainable profit growth and healthy financial position. Hence, the use of financial instruments, including customer deposits and high quality financial assets, is the core method for the Bank and its subsidiaries to gain required interest margin. From the risk management perspective, the Bank is required to maintain a balance between off-balance sheet items (such as guarantees and letters of credit) and credits (loans in VND and foreign currencies) to individuals and organisations of different creditworthiness levels. Besides, the Bank and its subsidiaries also invested part of their mobilised funds in securities or loans to other banks. The foreign currency risk and interest rate risk have been managed simultaneously by applying position limits in order to reduce risk concentration and participating in activities having opposite impacts to minimise risks. By holding high quality financial instruments, the Bank and its subsidiaries are able to manage significant risks in its operating activities and to maintain an adequate liquidity position.

For credit risk management purpose, the Bank and its subsidiaries used effectively their credit management manual providing regulations and requirements for lending and guidance to standardise the lending activities at the Bank. Liquidity risk is limited by keeping a large amount of cash and cash equivalents in form of Nostro account, term deposits at the SBV and other credit institutions and valuable papers. Risk – adjusted by prudential ratios are also used in liquidity risk management. The Bank revalues the interest rate gap and compares to benchmarks of domestic and foreign markets on a regular basis in order to able to timely adapt with unforeseen movements. Moreover, internal risk management procedures have become more effective thanks to the application of the Centralised Fund Management and Settlement System. Accordingly, all fund transfers and settlement transactions are centralised at the Head office. These systems allow the Bank to effectively supervise any changes in capital and reduce unnecessary procedures and possible errors.

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44. CREDIT RISK

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

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

44.1 Financial assets are not overdue

The Bank and its subsidiaries'financial assets, which are not overdue, include loans in group 1 as required by Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN; securities, receivables and other financial assets which are not overdue and are not required for provision in accordance with Decision No. 228/2009/TT-BTC.

The Bank believes that those financial assets can be recovered fully and timely in the future.

44.2. Financial assets are overdue but not impaired

Overdue but not impaired financial assets of the Bank mainly include loans classified in groups 2 to 5 as required by Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN which are adequately secured by collaterals, including real estate properties, movable assets, valuable papers and other assets.

In addition, these financial assets include deposits and bonds issued by the Vietnam Shipbuilding Industry Group (Vinashin) and the related interest receivables. These financial assets will be resolved in accordance with the Government's direction.

45. MARKET RISK

45.1 Interest rate risk

Analysis of effective interest rate re-pricing term of assets and liabilities

The effective interest rate re-pricing term of assets and liabilities is the remaining period from the date of consolidated financial statements to the latest interest rate re-pricing term.

The following assumptions and conditions are applied in the analysis of effective interest rate repricing term of the Bank and its subsidiaries' assets and liabilities:

- ► Cash and cash equivalents on hand, long-term investments and other assets (including, fixed assets, investment properties and other assets, except for trusted investments) are classified as non-interest bearing items.
- ▶ Deposits at the SBV are considered as demand deposits and accordingly, the effective interest repricing term is assumed to be one month.

- ▶ The effective interest re-pricing term of investment and trading securities is determined as follows:
 - Items which bear fixed interest rate during the contractual term: The effective interest repricing term is determined based on the time to maturity from the consolidated balance sheet date.
 - Items which bear floating interest rate: The effective interest re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the consolidated balance sheet date.
 - Investment and trading securities, which are equity securities, are classified as non-interest bearing items.
- ► The effective interest re-pricing term of deposits due from and loans to other banks, loans to customers, borrowings from the Government and the SBV and customer deposits are determined as follows:
 - Items which bear fixed interest rate during the contractual term: The effective interest repricing term is determined based on the time to maturity from the consolidated balance
 sheet date.
 - Items which bear floating interest rate: The effective interest re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the consolidated balance sheet date.
- The effective interest re-pricing term of valuable papers is based on the actual maturity date for each valuable paper.
- ▶ The effective interest re-pricing term of other borrowed funds is determined as follows:
 - Items which bera fixed interest rate during the contractual term: The effective interest repricing term is determined based on the time to maturity from the consolidated balance sheet date.
 - Items which bear floating interest rate: The effective interest re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the consolidated balance sheet date.
- The effective interest re-pricing term for other liabilities is categorised as non-interest bearing items.

45. MARKET RISK (continued)

45.1 Interest risk (continued)

Classification of assets and liabilities of the Bank and its subsidiaries according to their re-pricing terms as at 31 December 2012 is as follows:

בומסאוויבמנוסון סו מספרט מווע וומסוווינים סו נווב סמווא מווע ווס סמספרט מורע ווס ביינים ווס מספרט מווע מווע מווע מווע ווס סמספרט מווע מווע ווס מספרט מווע מווע מווע מווע מווע מווע מווע מוו			מ וני זמנטימומו ופ	פרכסומוווא נס נוו	ما ام المالية بو	11113 d3 d1 J 1 DG		d3 1010W3.	VNDm
					Interest re-pricing within	g within			
		Non-interest						Over 5	
	Overdue	bearing	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	years	Total
ASSETS									
Cash and cash equivalents	ı	484,887	ı	ı	ı	ı	1	•	484,887
Balances with the State Bank	•	ı	3,031,869	ı	1	I	•	1	3,031,869
Placements with and loans to other banks (*)	242,137	ı	12,032,124	7,925,895	9,186,496	500,000	•	1	29,886,652
Trading securities (*)	ı	40,564	ı	ı	ı	1	1	1	40,564
Derivative financial instruments and other financial assets	ı	5,847	ı	ı	ı	ı	ı	1	5,847
Loans and advances to customers (*)	6,008,345	ı	23,473,983	22,911,323	1,589,083	1,503,136	872,758	581,096	56,939,724
Investment securities (*)	880,000	336,024	674,943	1,824,968	2,529,169	1,455,294	4,838,076	170,666	12,709,140
Long-term investments (*)	•	435,326	1	1	•	1	•	1	435,326
Fixed assets and investment properties	1	4,212,583	1	1	1	1	1	1	4,212,583
Other assets	2,031,934	6,721,269	456,222		725,320	230,185		46,319	10,211,249
Total assets LIABILITIES	9,162,416	12,236,500	39,669,141	32,662,186	14,030,068	3,688,615	5,710,834	798,081	117,957,841
Deposits of and loans from the SBV and other banks	ı	ı	(8,747,323)	(2,908,088)	(6,574,840)	(547,000)	1	ı	(21,777,251)
Customer deposits	1	1	(40,073,681)	(21,772,438)	(5,925,715)	(8,723,696)	(1,101,484)	(1,506)	(77,598,520)

					Interest re-pricing within	ng within			
		Non-interest						Over 5	
	Overdue	bearing	Up to 1 month	Up to 1 month 1-3 months 3-6 months 6-12 months 1-5 years	3-6 months	6-12 months	1-5 years	years	Total
Other borrowed funds	•	ı	ı	ı	(2,400)	(5,719)	(5,719) (354,723) (22,403)	(22,403)	(385,245)
Valuable papers	•	ı	(1,108,289)	(1,108,289) (2,345,668)	(916,432)	ı	1	1	(4,370,389)
Other liabilities		(2,856,584)	1	1	1	1	1		(2,856,584)
Total liabilities		(2,856,584)	(49,929,293)	(49,929,293) (30,026,194) (13,419,387) (9,276,415) (1,456,207) (23,909) (106,987,989)	(13,419,387)	(9,276,415)	(1,456,207)	(23,909)	(106,987,989)
Sensitive difference	9,162,416	9,162,416 9,339,352	(10,219,588)	(10,219,588) 2,635,992	610,681	610,681 (5,587,800) 4,254,627 774,172 10,969,85 <u>2</u>	4,254,627	774,172	10,969,852

(*): The amounts exclude provisions

Interest rate sensitivity

With all other variables remain constant, the Bank and its subsidiaries' profit before tax and their owners' equity are affected by the impact on floating rate borrowings as follows:

		Effect on	
	Increase/decrease in basis points	Profit before tax VNDm	Owners' equity VNDm
VND equivalent	+100	(86,110)	(64,582)
VND equivalent	-100	86,110	64,582

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

45.2 Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates.

As the Bank and its subsidiaries were incorporated and operate in Vietnam, VND is the reporting currency. The major currency in which the Bank and its subsidiaries transact is also VND. The Bank and its subsidiaries' assets were mainly denominated in VND with the remainders mainly in USD and EUR. However, some of the Bank and its subsidiaries' other assets are in currencies other than VND, USD and EUR. The Bank's management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure that the positions are maintained within established limits.

Classification of assets and liabilities denominated in foreign currencies translated into VND as at 31 December 2012 is as follows:

				VNDm
			Other foreign currencies as	
	EUR as translated	USD as translated	translated	Tota/
ASSETS				
Cash and cash equivalents	32,801	163,976	29,232	226,009
Balances with the State Bank	1	515,067		515,067
Placements with and loans to other banks $(*)$	271,102	2,475,954	47,302	2,794,358
Loans and advances to customers (*)	156,895	8,066,574	ı	8,223,469
Investment securities (*)	ı	958,088	ı	958,088
Long-term investments (*)	ı	ı	1	ı
Fixed assets and investment properties	ı	11,011	1	11,011
Other assets		1,143,343	10	1,143,575
Total assets	461,020	13,334,013	76,544	13,871,577
LIABILITIES				
Deposits of and loans from the SBV and other banks	•	(2,158,383)	ı	(2,158,383)
Customer deposits	(447,610)	(6,111,864)	(63,458)	(6,622,932)
Derivative financial instruments and other financial liabilities	ı	(750,362)	1	(750,362)
Other borrowed funds	1	(5,630)		(5,630)
Valuable papers	ı	(1,770,380)	(7)	(1,770,387)
Other liabilities	(4,082)	(846,097)	(4,061)	(854,240)
Capital and reserves	1	(7,514)		(7,514)
Total liabilities and owners' equity	(451,692)	(11,650,230)	(67,526)	(12,169,448)
FX position on-balance sheet	9,328	1,683,783	9,018	1,702,129
FX position off-balance sheet		(876,859)		(876,859)
FX position on and off-balance sheet	9,328	806,924	9,018	825,270

(*) The amounts exclude provisions

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the USD EUR, etc. exchange rate, with all other variables remain constant, of the Bank and its subsidiaries' profit before tax. The Bank and its subsidiaries' exposure to foreign currency changes for all other currencies is not material.

		Effec	t on
	Changes in	Profit before tax	Owners' equity
	exchange rate (%)	<u>VNDm</u>	VNDm
USD	5	40,346	30,260
EUR	5	466	350
Other currencies	5	451	338
USD	-5	(40,346)	(30,260)
EUR	-5	(466)	(350)
Other currencies	-5	(451)	(338)

45.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank and its subsidiaries will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Bank and its subsidiaries might be unable to meet their payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, the management has arranged diversified funding sources in addition to their core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the consolidated balance sheet date to the time of settlements as stipulated in contracts or in issuance terms and conditions.

The following assumptions and conditions are applied in the analysis of overdue status of the Bank and its subsidiaries' assets and liabilities:

- ▶ Deposits at the SBV are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Bank's customer deposits.
- ► The maturity term of investment debt securities is calculated based on the maturity date of each kind of securities.
- Trading securities is considered as up to one month.
- ▶ The maturity term of placements with and loans to other banks; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended. Besides, loans to customers are reported at the principal amounts outstanding at the end of the year.
- ► The maturity term of equity investments is considered as more than five years because these investments do not have specific maturity date;
- ▶ The maturity term of deposits and borrowings from other banks; and customer deposits is determined based on features of these items or the maturity date as stipulated in contracts. Vostro account and demand deposits are transacted as required by customers, and therefore, being classified as current accounts. The maturity term of borrowings and term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated, and therefore, they last beyond the original maturity date.
- ▶ The maturity term of fixed assets is determined on the remaining useful life of assets.

The maturity of assets and liabilities as at 31 December 2012 is as follows:

								MONA
	Overdue	ane			Current			
	Over 3	Up to 3	Up to 1	From 1 – 3	From 3 – 12	From 1 – 5		
	months	months	months	months	months	years	Over 5 years	Total
ASSETS								
Cash and cash equivalents	ı	1	484,887	ı	ı	1	1	484,887
Balances with the State Bank	ı	1	3,031,869	1	ı		•	3,031,869
Placements with and loans to other banks $(*)$	242,137	1	12,032,124	7,130,895	10,411,496	1	70,000	29,886,652
Trading securities (*)	ı	1	40,564	ı	ı	1		40,564
Derivative financial instruments and other financial assets	ı	1	5,847	ı	1	1	1	5,847
Loans and advances to customers(*)	4,963,218	1,045,126	6,104,003	7,808,683	13,800,122	15,317,353	7,901,219	56,939,724
Investment securities (*)	000'009	280,000	1,010,967	1,824,968	3,984,463	4,838,076	170,666	12,709,140
Long-term investments (*)	ı	1	•	ı	ı	1	435,326	435,326
Fixed assets and investment properties	ı	1	566,800	192,819	55,422	141,988	3,255,554	4,212,583
Other assets	2,031,934		6,700,246	9,119	1,164,221	259,397	46,332	10,211,249
Total assets	7,837,289	1,325,126	29,977,307	16,966,484	29,415,724	20,556,814	11,879,097	117,957,841
LIABILITIES								1
Deposits of and loans from the SBV and other								
banks	ı	1	(8,747,323)	(2,908,088)	(7,121,840)	ı	1	(21,777,251)
Customer deposits	ı	1	(40,073,915)	(21,766,648)	(14,243,716)	(1,512,733)	(1,508)	(77,598,520)
Other borrowed funds	ı	1	ı	ı	(8,119)	(354,723)	(22,403)	(385,245)
Valuable papers	ı	1	(1,108,289)	(2,345,668)	(916,432)	ı	•	(4,370,389)
Other liabilities		1	(2,856,584)					(2,856,584)
Total liabilities			(52,786,111)	(30,020,404)	(22,290,107)	(1,867,456)	(23,911)	(106,987,989)
Net liquidity difference	7,837,289	1,325,126	(22,808,804)	(13,053,920)	7,125,617	18,689,358	11,855,186	10,969,852

(*) The amounts exclude provisions

46. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES UNDER CIRCULAR No. 210/2009/TT-BTC

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011. Circular 210 provides definitions of financial instruments, including financial assets and financial liabilities, derivative financial instruments and equity instruments as well as the classification, presentation and disclosures of these instruments.

The Circular 210 only regulates the presentation of financial statements and disclosures of financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank and its subsidiaries' assets and liabilities are still recognised and recorded in accordance with Vietnamese Accounting Standards and System for Credit Institutions and other relevant regulations of the State Bank of Vietnam.

Financial assets

The financial assets of the Bank and its subsidiaries under the scope of Circular 210 including cash, gold, gemstones, balance at the State Bank and other credit institutions, loans to customer and other credit institutions, trading securities, investment securities, receivables and other assets arising from currency derivative contracts.

According to Circular 210, financial assets are classified as appropriate, for the purpose of disclosure in the notes to the consolidated financial statements, into one of the following categories:

Financial assets at fair value through profit or loss:

A financial asset at fair value through profit and loss is the financial asset that meets either of the following conditions

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

Held-to-maturity investments:

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

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

46. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES UNDER CIRCULAR No. 210/2009/TT-BTC (continued)

Financial assets (continued)

Loans and receivables:

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

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

Available-for-sale financial assets

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

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

Financial liabilities

Financial liabilities of the Bank and its subsidiaries under the scope of Circular 210 include borrowings from the Government and the State Bank of Vietnam, deposits and borrowings from other banks, customer deposits, other borrowed funds, valuable papers issued, other liabilities and liabilities arising from currency derivative contracts.

According to Circular 210, financial liabilities, for the purpose of disclosure in the notes to the consolidated financial statements, are appropriately classified into:

Financial liability at fair value through profit or loss

Financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

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

■ Financial liabilities by amortised cost

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortised cost.

Offsetting financial assets and liabilities

The financial assets and financial liabilities are offset and the net amount will be presented on the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset those recorgnised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

46.1 Carrying value and fair value of financial assets and liabilities

Carrying value and fair value of financial assets of the Bank and its subsidiaries as at 31 December 2012 are presented in the following table:

							VNDm
			Carryii	Carrying value			
	Trading	Held-to- maturity	Loans and receivables	Available- for-sale	Other assets and Available- liabilities recorded at for-sale amortised cost	Total	Fair value (*)
Cash, gold and gemstones	484,887	•	ı	1	1	484,887	484,887
Balances with the State Bank	3,031,869	ı	ı	ı	l	3,031,869	3,031,869
Placements with and loans to other banks	1,178,615	28,708,037	1	ı	,	29,886,652	30,944,333
Trading securities	40,564	ı	ı	ı	ı	40,564	13,387
Derivatives and other financial assets	5,847	ı	•	ı	•	5,847	3,134
Loans and advances to customers	ı	I	56,939,724	ı	ı	56,939,724	57,153,029
Available-for-sale securities	ı	ı	ı	8,418,596	ı	8,418,596	8,415,214
Held-to-maturity securities	ı	4,290,544	ı	ı	l	4,290,544	4,547,014
Other financial assets		2,803,585	1	1		2,803,585	3,214,827
	4,741,782	35,802,166	56,939,724	8,418,596		105,902,268	107,807,694

(*): Due to the lack of information on fair value, the figures presented in the above table are determined based on the carrying value of assets. The carrying value is determined and recorded in accordance with relevant accounting guidance of the Ministry of Finance and the State Bank of Vietnam.

VNDm

ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES UNDER CIRCULAR No. 210/2009/TT-BTC (continued) 46.

46.1 Carrying value and fair value of financial assets and liabilities (continued)

Carrying value and fair value of financial liabilities of the Bank and its subsidiaries as at 31 December 2012 are presented in the following table:

392,600 22,570,249 Fair value (*) 4,539,112 106,056,213 78,554,252 385,245 **Total** 77,598,520 4,370,389 104,131,405 21,777,251 104,131,405 Other assets and liabilities recorded at amortised cost 21,777,251 77,598,520 385,245 1,370,389 Available-for-Carrying value Loans and receivables maturity Held-to-Trading Deposits and other amounts due to Borrowings from the Government Deposits and borrowings from Derivatives and other financial Other financial liabilities Valuable papers issued Other borrowed funds other banks and the SBV customers liabilities

(*): Due to the lack of information on fair value, the figures presented in the above table are determined based on the carrying value of liabilities. The carrying value is determined and recorded in accordance with relevant accounting guidance of the Ministry of Finance and the State Bank of Vietnam.

46.2 Financial assets which have been pledged, or transferred but not qualified for derecognition

Details of the financial assets of the Bank and its subsidiaries, which have been pledged or mortgaged to secure for loans or transferred under the sale and repurchase contracts with the SBV and other banks, are as follows:

	31 Decen	nber 2012	31 Decem	ber 2011
	Book value VNDm	Related obligations <u>VNDm</u>	Book value <u>VNDm</u>	Related obligations <u>VNDm</u>
Treasury Bills	900,000	900,000	-	-
Government bonds	5,612,939	3,715,939	1,950,000	1,484,954
Municipal bonds	50,000	50,000	-	-
Bonds issued by local credit institutions			430,000	200,000
Bonds issued by local economic entities			600,000	300,000
Loans			-	-
Other assets				
	6,562,939	4,665,939	2,980,000	1,984,954

47. OPERATING LEASE COMMITMENTS

	31/12/2012	31/12/2011
	<i>VNDm</i>	<i>VNDm</i>
Irrevocable operating lease commitments	361,553	203,797
In which:		
- due within one (01) year	43,589	23,263
- due from two (02) to five (05) years	210,635	164,897
- due after five (05) years	107,329	15,637

48. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring since the consolidated balance sheet date which require adjustments or disclosures to be made in the consolidated financial statements.

49. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE END OF THE ACCOUNTING YEARS

	31/12/2012 VND	31/12/2011 VND
USD	20,828	20,828
EUR	27,566	27,527
GBP	33,689	33,018
CHF	22,847	22,639

INANCIAL REPORTS

JPY		
SGD		
AUD		
HKD		
CAD		

31/12/2012	31/12/2011
<u>VND</u>	VND
243	276
17,046	16,381
21,678	21,692
2,690	2,736
20,964	20,783

Prepared by

Approved by

Approved by

THƯƠNG MẠI CỔ PHẨN

Ms. Vuong Thanh Huyen Accountant Ms. Ninh Thi Lan Phuong Chief Accountant Mr Nguyen Van Le General Director

Hanoi, Vietnam

31 March 2013

Saigon – Hanoi Commercial Joint Stock Bank (SHB)

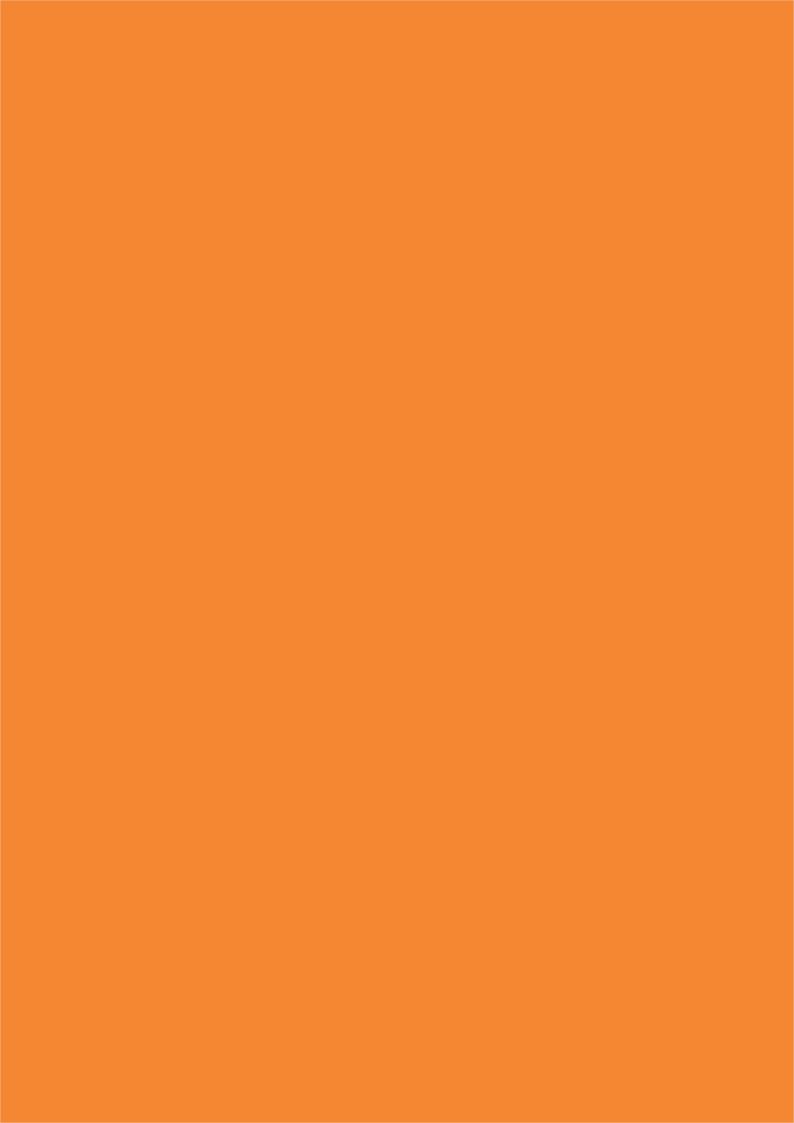
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Hanoi, 18 April 2013 GENERAL DIRECTOR

THƯƠNG MẠI CỔ PHẦN S**ài gòn-hà nội**





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