

Saigon – Hanoi Commercial Joint Stock Bank

Report of the Board of Management and Audited Consolidated
Financial Statements in accordance with Vietnamese Accounting
Standards and System for Credit Institutions

for the year ended 31 December 2009

Saigon – Hanoi Commercial Joint Stock Bank

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Saigon – Hanoi Commercial Joint Stock Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Saigon – Hanoi Commercial Joint Stock Bank is pleased to present its report and consolidated financial statements of the Bank and its subsidiary for the year ended 31 December 2009.

THE BANK

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

The Bank was initially established on 13 November 1993 under Business License 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 1764/QĐ-NHNN dated 11 September 2006 of the State Bank of Vietnam.

The Bank’s principal activities are to provide banking services including mobilizing and receiving short-term, medium-term and long-term deposits from organizations as well as individuals; making short-term, medium-term and long-term loans and advances to both organizations 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.

The Bank’s Head Office is located at 77 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2009, the Bank has one (1) Head Office, one (1) subsidiary and sixteen (16) branches nationwide.

RESULTS AND DIVIDENDS

The Bank’s summary of results and dividends is as follows:

	<i>2009</i>	<i>2008</i>
	<i>VNDm</i>	<i>VNDm</i>
Net profit for the year	318,405	194,770
Dividends announced for the year	159,606	159,836
Retained earnings at the end of the year	111,516	7,676

BOARD OF DIRECTORS

Members of the Board of Directors during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Do Quang Hien	Chairman	Appointed on 16 June 2008
Mr. Nguyen Van Le	Member	Appointed on 16 June 2008
Mr. Nguyen Van Hai	Member	Appointed on 16 June 2008
Mr. Tran Ngoc Linh	Member	Appointed on 16 June 2008
Mr. Phan Huy Chi	Member	Appointed on 16 June 2008
Mr. Tran Thoai	Member	Appointed on 16 June 2008

Saigon – Hanoi Commercial Joint Stock Bank

REPORT OF THE BOARD OF MANAGEMENT (continued)

BOARD OF CONTROLLERS

Members of the Board of Controllers during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Ms. Dam Ngoc Bich	Head of the Board of Controllers	Appointed on 16 June 2008
Mr. Nguyen Huu Duc	Vice Head of the Board of Controllers	Appointed on 20 May 2009
Ms. Nguyen Thi Hong Uyen	Member	Appointed on 16 June 2008
Mr. Luong Duc Chinh	Member	Appointed on 16 June 2008
Mr. Bui Thanh Tam	Member	Appointed on 16 June 2008
Mr. Pham Hoa Binh	Member	Appointed on 20 May 2009

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

Members of the Board of Management and Chief Accountant during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Nguyen Van Le	General Director	Reappointed on 8 May 2007
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
Ms. Ninh Thi Lan Phuong	Chief Accountant	Appointed on 27 July 2008

EVENTS SINCE THE BALANCE SHEET DATE

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

AUDITORS

The auditors, Ernst & Young Vietnam Limited, have expressed their willingness to accept reappointment.

Saigon – Hanoi Commercial Joint Stock Bank

REPORT OF THE BOARD OF MANAGEMENT (continued)

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's 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 subsidiary and of their results and their cash flows for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable 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 will continue its business.

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

The Bank's Management has confirmed to the Board of Directors that the Bank has complied with the above requirements in preparing the accompanying consolidated financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements which give a true and fair view of the financial position of the Bank and its subsidiary as at 31 December 2009, the results of their operations and their cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System for Credit Institutions and comply with other relevant statutory requirements of the State Bank of Vietnam and the Ministry of Finance.

On behalf of the Board of Management,

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

30 March 2010

INDEPENDENT AUDITORS' REPORT

**To: The Board of Directors and Board of Management of
Saigon – Hanoi Commercial Joint Stock Bank**

We have audited the accompanying consolidated balance sheet of the Saigon – Hanoi Commercial Joint Stock Bank (“the Bank”) and its subsidiary as at 31 December 2009, the consolidated income statement, the consolidated statement of retained earnings, the consolidated statement of cash flows for the year then ended and the notes thereto (“the consolidated financial statements”) as set out on pages 5 to 58. These consolidated financial statements are of the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The Bank’s financial statements for the year ended 31 December 2009 were audited by other auditors whose report dated 3 March 2009 gave an unqualified opinion on those financial statements.

Basis of Opinion

We conducted our audit in accordance with Vietnamese and International Standards on Auditing applicable in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements, in all material respects, give a true and fair view of the financial position of the Bank and its subsidiary as at 31 December 2009, and of the results of their operations and their cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System for Credit Institutions and with other relevant financial and accounting regulations stipulated by the Ministry of Finance and the State Bank of Vietnam.

Ernst & Young Vietnam Limited

Vo Tan Hoang Van
Deputy General Director
Registered Auditor
Certificate No. 0264/KTV

Nguyen Chi Cuong
Auditor-in-charge
Registered Auditor
Certificate No.1103/KTV

Hanoi, Vietnam

30 March 2010

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2009

	<i>Notes</i>	<i>31/12/2009</i> <i>VNDm</i>	<i>31/12/2008</i> <i>VNDm</i>
ASSETS			
Cash and cash equivalents	4	139,081	67,479
Balances with the State Bank of Vietnam (“the SBV”)	5	920,132	216,117
Placements with and loans to other banks	6	6,357,324	2,945,975
Placements with other banks	6.1	6,357,324	2,945,975
Loans and advances to other banks		-	-
Provision for credit losses of loans to other banks		-	-
Trading securities	7	16,500	480,531
Trading securities		16,500	494,699
Provision for impairment of trading securities		-	(14,168)
Derivatives and other financial assets	8	3,663	369
Loans and advances to customers		12,701,664	6,227,158
Loans and advances to customers	9	12,828,748	6,252,699
Provision for credit losses	10	(127,084)	(25,541)
Investment securities	11	4,865,643	1,955,500
Available-for-sale securities	11.1	3,335,951	955,000
Held-to-maturity securities	11.2	1,540,500	1,000,500
Provision for impairment of investment securities		(10,808)	-
Long-term investments	12	269,799	748,159
Investments in subsidiaries	12.1	-	-
Investments in joint ventures		-	-
Investments in associates		-	-
Other long-term investments	12.2	269,799	748,159
Provision for impairment of long-term investments		-	-
Fixed assets	13	853,627	823,991
<i>Tangible fixed assets</i>	13.1	<i>126,040</i>	<i>97,167</i>
Cost		159,197	112,814
Accumulated depreciation		(33,157)	(15,647)
<i>Financial leases</i>		-	-
Cost		-	-
Accumulated depreciation		-	-
<i>Intangible assets</i>	13.2	<i>727,587</i>	<i>726,824</i>
Cost		729,942	728,521
Accumulated depreciation		(2,355)	(1,697)
Investment properties		-	-
Cost		-	-
Accumulated depreciation		-	-
Other assets	14	1,341,764	916,031
Receivables		419,678	150,638
Interest and fee receivables		307,391	124,200
Deferred income tax assets		-	-
Other assets		615,415	641,193
<i>In which: Goodwill</i>		-	-
Provision for other assets		(720)	-
TOTAL ASSETS		27,469,197	14,381,310

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2009

	<i>Notes</i>	<u>31/12/2009</u> VNDm	<u>31/12/2008</u> VNDm
LIABILITIES			
Borrowings from the Government and the SBV		-	-
Deposits and borrowings from other banks	15	9,943,404	2,235,084
Deposits from other banks	15.1	9,943,404	2,235,084
Borrowings from other banks		-	-
Customer deposits and other amounts due to customers	16	14,672,147	9,508,142
Derivatives and other financial liabilities		-	-
Other borrowed funds	17	31,884	25,473
Valuable papers issued		-	-
Other liabilities		404,717	345,956
Interest and fee payables		171,248	132,952
Deferred tax liabilities		-	-
Other payables	18	229,910	212,571
Provision for off-balance sheet commitments	10	3,559	433
TOTAL LIABILITIES		25,052,152	12,114,655
OWNERS' EQUITY			
Capital and Reserves	20	2,417,045	2,266,655
<i>Capital</i>		2,043,043	2,045,649
Chartered capital		2,000,000	2,000,000
Capital to purchase fixed assets		-	-
Share premium		48,000	48,000
Treasury shares		(4,957)	(2,351)
Preference shares		-	-
Others		-	-
<i>Reserves</i>	20	102,880	53,494
Foreign currency translation reserve		-	-
Asset revaluation reserve		-	-
Retained earnings		271,122	167,512
Minority interest		-	-
TOTAL OWNERS' EQUITY		2,417,045	2,266,655
TOTAL LIABILITIES AND OWNERS' EQUITY		27,469,197	14,381,310

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2009

OFF-BALANCE SHEET ITEMS

	<i>Notes</i>	<u>31/12/2009</u> VNDm	<u>31/12/2008</u> VNDm
Contingencies			
Credit guarantees		8,981	-
Letters of credit		682,890	-
Other guarantees		<u>520,478</u>	<u>37,274</u>
	35	<u>1,212,349</u>	<u>37,274</u>

Prepared by

Approved by

Approved by

Ms. Ngo Thi Van
Accountant

Ms. Ninh Thi Lan Phuong
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

30 March 2010

The attached notes from 1 to 43 form part of these consolidated financial statements.

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2009

	Notes	2009 VNDm	2008 VNDm
Interest and similar income	23	1,662,188	1,293,370
Interest and similar expenses	24	(1,018,747)	(1,132,570)
Net interest and similar income		643,441	160,800
Fee and commission income		78,031	14,398
Fee and commission expenses		(17,949)	(6,986)
Net fee and commission income	25	60,082	7,412
Net gain/loss from foreign currency trading	26	52,487	26,023
Net gain/loss from trading securities	27	31,939	(14,168)
Net gain/loss from investment securities	28	43,361	-
Other operating income		14,180	297,055
Other operating expenses		(2,434)	(2,300)
Net gain/loss from other operating activities	29	11,746	294,755
Dividend income	30	16,936	2,965
TOTAL OPERATING INCOME		859,992	477,787
Employee expenses		(143,449)	(85,398)
Depreciation and amortization charges		(17,996)	(10,526)
Other operating expenses		(178,688)	(94,611)
TOTAL OPERATING EXPENSES	31	(340,133)	(190,535)
Profit from operating activities before provision for credit losses		519,859	287,252
Provision for credit losses	10	(108,501)	(17,891)
Reversal of provision for credit losses	10	3,832	-
PROFIT BEFORE TAX		415,190	269,361
Current enterprise income tax	19	(96,785)	(74,591)
Deferred enterprise income tax		-	-
Enterprise income tax ("EIT")		(96,785)	(74,591)
NET PROFIT FOR THE YEAR		318,405	194,770
Basic earnings per share	21	1,592	974

Prepared by

Approved by

Approved by

Ms. Ngo Thi Van
Accountant

Ms. Ninh Thi Lan Phuong
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

30 March 2010

The attached notes from 1 to 43 form part of these consolidated financial statements.

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF RETAINED EARNINGS for the year ended 31 December 2009

	<u>Notes</u>	<u>2009 VNDm</u>	<u>2008 VNDm</u>
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		167,512	127,873
Net profit for the year		<u>318,405</u>	<u>194,770</u>
RETAINED EARNINGS BEFORE APPROPRIATIONS		485,917	322,643
<i>Less:</i>			
Reserves created for previous year	20	(5,024)	-
Temporarily created reserves for current year	20	(49,876)	(28,241)
Final dividend payment for previous year	20	(159,836)	(100,000)
Others		<u>(59)</u>	<u>(26,890)</u>
RETAINED EARNINGS AT THE END OF THE YEAR		<u>271,122</u>	<u>167,512</u>
<i>In which:</i>			
Interim dividend paid for the year	14, 22	159,606	159,836
Undistributed earnings for appropriation of reserves and further dividends		111,516	7,676
Prepared by	Approved by	Approved by	

Ms. Ngo Thi Van
Accountant

Ms. Ninh Thi Lan Phuong
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

30 March 2010

The attached notes from 1 to 43 form part of these consolidated financial statements

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>VNDm</i>	<i>2008</i> <i>VNDm</i>
OPERATING ACTIVITIES			
Interest and similar income proceeds		1,608,021	1,330,247
Interest and similar expense disbursements		(980,452)	(1,130,753)
Fees and commission income proceeds		60,082	7,412
Net gain/(loss) from foreign currency, gold and securities trading		(35,538)	20,823
Other operating income proceeds		10,551	293,707
Proceeds from bad debts written-off		1,197	1,048
Employee and other administrative expenses disbursements		(327,964)	(175,045)
Enterprise income tax paid in the year	19	(74,071)	(54,639)
Net cash flows from operating profit before changes in operating assets and liabilities		261,826	292,800
Changes in operating assets			
(Increase)/decrease in due from banks		(539,946)	3,192,644
(Increase)/decrease in trading and investment securities		(2,423,694)	(2,058,492)
(Increase)/decrease in derivatives and other financial assets		(3,294)	(369)
(Increase)/decrease in loans and advances to customers		(6,576,049)	(2,069,197)
Decrease in provision for loan losses and provision for impairment of investment securities & long-term investments		-	-
(Increase)/decrease in other assets		(102,515)	486,613
Changes in operating liabilities			
Increase/(decrease) in borrowings from the Government and the SBV		-	-
Increase/(decrease) in due to banks		7,708,320	(4,856,701)
Increase/(decrease) in due to customers (including State Treasury)		5,164,004	6,703,273
Increase/(decrease) in valuable papers issued (except for long-term valuable papers issued disclosed in financing activities)		-	-
Increase/(decrease) in other borrowed funds		6,412	(26,426)
Increase/(decrease) in derivatives and other financial liabilities		-	-
Increase/(decrease) in other liabilities		255	74,289
Reserve utilization	20	(5,514)	(4,172)
Net cash flows from operating activities		3,489,805	1,734,262
INVESTING ACTIVITIES			
Purchase of fixed assets		(109,189)	(490,704)
Proceeds from sale of fixed assets		-	-
Disbursements for sale of fixed assets		-	-
Purchase of investment property		-	-
Proceeds from sale of investment property		-	-
Disbursements for sale of investment property		-	-
Investments in joint ventures, associates and others		(16,000)	(365,559)
Proceeds from sales of investment in joint ventures, associates and others		501,000	-
Dividend receipts from long-term investments in the year		7,475	2,964
Net cash flows from investing activities		383,286	(853,299)

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>VNDm</i>	<i>2008</i> <i>VNDm</i>
FINANCING ACTIVITIES			
Increase in chartered capital		-	-
Proceeds from subordinated debts to increase tier 2 capital		-	-
Repayment of subordinated debts to reduce tier 2 capital		-	-
Dividends payment to shareholders		(223,465)	(95,976)
Purchase of treasury shares	20	(2,606)	(2,351)
Proceeds from sale of treasury shares		-	-
Net cash flows from financing activities		(226,071)	(98,327)
Net increase/(decrease) in cash and cash equivalents		3,647,020	782,636
Cash and cash equivalents at the beginning of the year		2,774,517	1,991,881
Foreign exchange difference		-	-
Cash and cash equivalents at the end of the year	32	6,421,537	2,774,517

Prepared by

Approved by

Approved by

Ms. Ngo Thi Van
Accountant

Ms. Ninh Thi Lan Phuong
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

30 March 2010

The attached notes from 1 to 43 form part of these consolidated financial statements

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 December 2009

1. CORPORATE INFORMATION

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

Establishment and Operations

The Bank was initially established on 13 November 1993 under Business License 0041-NH/GP issued by the State Bank of Vietnam. The Bank was renamed as Saigon – Hanoi Commercial Joint Stock Bank under Decision 1764/QĐ-NHNN dated 11 September 2006 of the State Bank of Vietnam.

The Bank’s principal activities are to provide banking services including mobilizing and receiving short-term, medium-term and long-term deposits from organizations as well as individuals; making short-term, medium-term and long-term loans and advances to both organizations 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.

Chartered Capital

The initial chartered capital of the Bank was VNDm 400 and subsequently supplemented based on the business operating plan of the Bank over the time. The actual chartered capital as at 31 December 2009 was VNDm 2,000,000 (at 31 December 2008: VNDm 2,000,000).

Board of Directors

Members of the Board of Directors during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Do Quang Hien	Chairman	Appointed on 16 June 2008
Mr. Nguyen Van Le	Member	Appointed on 16 June 2008
Mr. Nguyen Van Hai	Member	Appointed on 16 June 2008
Mr. Tran Ngoc Linh	Member	Appointed on 16 June 2008
Mr. Phan Huy Chi	Member	Appointed on 16 June 2008
Mr. Tran Thoai	Member	Appointed on 16 June 2008

Board of Controllers

Members of the Board of Controllers during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Ms. Dam Ngoc Bich	Head of the Board of Controllers Vice Head of the Board of	Appointed on 16 June 2008
Mr. Nguyen Huu Duc	Controllers	Appointed on 20 May 2009
Ms. Nguyen Thi Hong Uyen	Member	Appointed on 16 June 2008
Mr. Luong Duc Chinh	Member	Appointed on 16 June 2008
Mr. Bui Thanh Tam	Member	Appointed on 16 June 2008
Mr. Pham Hoa Binh	Member	Appointed on 20 May 2009

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

1. CORPORATE INFORMATION (continued)

Board of Management and Chief Accountant

Members of the Board of Management and Chief Accountant during the year 2009 and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Nguyen Van Le	General Director	Reappointed on 8 May 2007
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
Ms. Ninh Thi Lan Phuong	Chief Accountant	Appointed on 27 July 2008

Location and branches

The Bank's Head Office is located at 77 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2009, the Bank has one (1) Head Office, one (1) subsidiary and sixteen (16) branches nationwide.

Subsidiary

As at 31 December 2009, the Bank has one subsidiary wholly owned by the Bank, which is SHB Debt Management and Asset Management one sole member Company Limited specializing in asset management. The company was established under Decision No. 52A/QD – HDQT of the Board of Directors of SHB dated 16 March 2009 and Decision No. 508/2009/QD-NHNN issued by the Governor of the State Bank of Vietnam on 11 March 2009.

Employees

The total number of employees of the Bank and its subsidiary as at 31 December 2009 was 1,348 people (at 31 December 2008: 844 people).

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Compliance with Vietnamese Accounting Standards and Accounting System for Credit Institutions*

The Board of Management affirms that the consolidated financial statements of the Bank have been prepared in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions.

2.2 *Basis of presentation*

The consolidated financial statements of the Bank, which are expressed in millions of Vietnamese Dong (“VNDm”), are prepared in accordance with Accounting System for Credit Institutions required under Decision 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 479/2004/QD-NHNN; Decision 16/2007/QD-NHNN issued on 18 April 2007 by the Governor of the State Bank of Vietnam; Vietnamese Accounting Standards and related regulations 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 statement of retained earnings, consolidated statement of cash flows and notes to the consolidated financial statements and their utilization are not designed for those who are not informed about the Vietnam’s accounting principles, procedures and practices and furthermore are not intended to present its financial position, financial performance and its cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.3 *Fiscal year*

The Bank’s fiscal year starts on 1 January and ends on 31 December.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at and for the year ended 31 December each year. The financial statements of the subsidiary are prepared for the same reporting year as the Bank's, using consistent accounting policies.

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

The financial statements of the subsidiary which is listed in Note 1 are fully consolidated from the date when control is transferred to the Bank. The control is achieved where the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operating results of the subsidiary acquired or disposed during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

2.5 *Changes of accounting policies*

Recognition of investments in securities

In accordance with the Circular 7459/NHNN-KTTC dated 30 August 2006 of the State Bank of Vietnam, equity investments in companies in which the Bank holds less than 20% voting right are recorded as Other long-term investments.

In 2009, the Bank has adopted Circular 2601/NHNN-TCKT dated on 14 April 2009 of the State Bank of Vietnam providing guidance on classification and provisioning for impairment of financial investments. According to this circular and the Circular 7459/NHNN-KTTC mentioned above, other long-term investments only include equity investments in companies in which the Bank holds less than 20% of voting right and the Bank is either a founding shareholder or a strategic shareholder, or has certain power to participate in the financial and operating policy – making process evidenced by a written agreement on delegating personnel for representation on the Board of Directors/Board of Management. Accordingly, as at 31 December 2009, the Bank reclassified certain items from Other long-term investments to Available-for-sale securities and making provision for these available-for-sale securities (if any) in accordance with current relevant regulations.

The opening balances in the accompanying consolidated financial statements are not restated to reflect the adjustments (if any) in compliance with the above Circular 2601 due to the followings: i) the Circular 2601/NHNN-TCKT does not require retrospective application; and ii) in accordance with the Circular 20/2006/TT-BTC dated 20 March 2006 of the Ministry of Finance providing guidance for the application of the Vietnamese Accounting Standard No. 29 – “*Changes in accounting policies, estimates and errors*”, retrospective adjustments are not required for changes in accounting policies due to the first time adoption of new accounting standards or regulations.

2.6 *Loans and advances to customers*

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

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for credit losses

Loans and advances to customers should be classified and provided for in accordance with the Law on Credit Institutions effective from 1 October 1998, Law on Amendment and Supplementation to a number of articles of the Law on Credit Institutions effective from 1 October 2004, Decision 1627/2001/QD-NHNN dated 31 December 2001 by the Governor of the State Bank of Vietnam on lending statutory, Decision 127/2005/QD-NHNN dated 3 February 2005 amending and supplementing Decision 1627/2001/QD-NHNN, Decision 493/2005/QD-NHNN dated 22 April 2005; and Decision 18/2007/QD-NHNN dated 25 April 2007 by the State Bank of Vietnam on loan classification and provision. Accordingly, loans are classified into *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* on the basis of payment arrears status and other qualitative factors.

Net loan and advance exposure for each borrower is calculated by subtracting from the loan balance the discounted value of collateral. Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN stipulated specific discount rates for certain accepted collaterals.

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

<i>Group</i>	<i>Name</i>	<i>Specific provision rate</i>
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 bad debts.

In accordance with Decision 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. As such, the Bank is required to fully make and maintain a general provision at 0.75% of total loans and advances to customers, which are classified from groups 1 to 4 within 5 years commencing from May 2005.

The 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 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 and of which the borrowers are bankrupted or liquidated (for corporate) or are deceased or missing (for individuals).

Details on the loan classification and related provision and the provision amount that are actually booked by the Bank as at 31 December 2009 are presented in Note 10.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 *Trading securities*

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

Trading securities are recognized at cost at transaction date.

They are reviewed for impairment at the date of consolidated financial statements. Provision for impairment of trading securities is made when their book values are greater than their market values. Impairment losses are recognized in the consolidated income statement in “*Net gain/loss from trading securities*”.

2.9 *Investment securities*

2.9.1 *Held-to-maturity securities*

Held-to-maturity securities are debt securities that the Bank has the intention and ability to hold to maturity. These investment securities carry fixed or determinable payments and have fixed maturities.

Held-to-maturity investment securities are recognized at face value as at transaction date. Any discount/premium which is the difference between original cost and the amount which is par value plus accrued interest income (for debt securities with interest payment in arrears) or minus accrued interest income (for debt securities with interest payment in advance), is amortized on a straight-line basis till the maturity date to the consolidated income statement. Accrued interest income is recognized on a straight-line basis over the estimated remaining holding period of securities.

Held-to-maturity investments are subject to review for impairment. Allowance for impairment is recorded when the decline in value of the investment is other than temporary. Impairment losses are recognized in the consolidated income statement as “*Net gain/ loss from investment securities*”.

2.9.2 *Available-for-sale securities*

Available-for-sale securities include debt and equity securities which do not qualify to be classified as trading and held-to-maturity and which the Bank holds for only an indefinite period till an opportunity for profit is given. The Bank is not a founding shareholder; or a strategic shareholder, or has no certain power to participate in the financial and operating policy – making process evidenced by a written agreement on delegating personnel for representation on the Board of Directors/Board of Management.

Available-for-sale equity securities are always recognised at cost. Available-for-sale debt securities are recognized in accordance with the accounting policy applied to held-to-maturity securities.

Available-for-sale securities are subject to review for impairment. Allowance for impairment is recorded when carrying value of the securities is higher than its market value. Any impairment losses are recognized in the consolidated income statement as “*Net gain/ loss from investment securities*”.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Other long-term investments

Equity securities are classified in the form of other long term investments only when the Bank holds less than 20% of voting right and the Bank is a founding shareholder or a strategic shareholder, or has certain power to participate in the financial and operating policy – making process evidenced in the way of representation on the Board of Directors/Board of Management. Long-term investments are recognized at cost.

For capital contribution in other companies, provision is made when the business entities invested are operating at loss (unless losses was previously stipulated in the business plan) in accordance with Circular 228/2009/TT-BTC dated 7 December 2009 by the Ministry of Finance. Provision for each financial investment is calculated as the difference between the actual contributed capital of parties in the business entities and the existing chartered capital of the business entities times (x) the proportion of capital contributed by the Bank and total capital contribution of parties in the business entities.

2.11 Intangible fixed assets

Intangible 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 capitalized 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.

2.12 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 capitalized 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.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Depreciation and amortization

Depreciation and amortization of tangible fixed assets and intangible assets is 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	5 years
Motor vehicles	8 - 10 years
Other tangible assets	3 - 5 years
Office equipment	5 years
Land use rights (*)	based on lease term
Computer software	5 years
Other intangible assets	20 years

(*): The cost of the land use rights is not amortized if it is granted by the Government of Vietnam and has indefinite term. The cost of land use rights with definite term is amortized over the lease term.

2.14 Recognition of income and expense

Interest income and expense are recognized in the consolidated income statement on accrual basis using nominal interest rate. The recognition of accrued interest income is suspended when a loan is classified from group 2 to 5 according to Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN. Suspended interest income is reverted to off-balance sheet and only recognized in the consolidated income statement upon actual receipt.

Fees and commissions are recognized when incurred.

Dividend income on equity investment is recognized in the consolidated income statement when the Bank's right to receive the payment is established.

2.15 Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies and translates into VND at the end of each business day. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated into VND using exchange rates at the consolidated balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 31 December in Note 43). Income and expenses arising from foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Unrealized foreign exchange differences arising from the translation of monetary assets and liabilities at the balance sheet date are recognized in the consolidated income statement.

2.16 Enterprise income taxes

Current tax

Current tax assets and liabilities for the current and prior periods 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 balance sheet date.

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

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Enterprise income taxes (continued)

Current tax (continued)

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

The Bank's tax 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 tax

Deferred tax is provided using the balance sheet liability method on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purpose at the balance sheet date.

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

- ▶ Where the deferred 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.
- ▶ Where taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures and the Bank has 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 tax assets are recognized for all deductible temporary differences, the carrying forward of unused tax losses and the carrying forward of unused tax credits when the amounts of income taxed recoverable in future periods, except:

- ▶ Where the deferred 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.
- ▶ Where deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures when it is probable that the temporary difference will be reversed in a foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each 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. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 *Enterprise income taxes* (continued)

Deferred tax (continued)

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

2.17 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash, gold, jewellery, gemstones, current accounts with SBV, treasury bills and other short term valuable papers that are qualified to be discounted, amounts due from banks with an original maturity of three months or less and securities items with a maturity of three months or less from the purchased date.

2.18 *Provision for off-balance-sheet commitments*

According to Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN by the SBV, credit institutions must classify and make provision for 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 493/2005/QD-NHNN, namely Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors.

Specific and general provision for off-balance-sheet commitments is calculated similarly to the provision for loans and advances to customers as described in Note 2.7. Provision expense is recorded as "Provision for credit losses" in the consolidated income statement and provision balance is recorded in other liabilities in the consolidated balance sheet.

2.19 *Currency derivatives contracts*

Foreign currency Forwards

For foreign currency forwards, the difference between equivalent VND amounts of foreign currency commitments to buy/sell using forward exchange rate and spot exchange rate as at effective date of the contract, is recognized immediately as at the effective date of the contract in line "*Derivatives and other financial assets*" as an asset when it is positive, and line "*Derivatives and other financial liabilities*" as liabilities when it is negative. The difference is subsequently amortized on consolidated income statements as "*Gain/ Loss from foreign exchange activities*" using straight-line method over the term of the contracts. As at the balance sheet date, commitment amounts for the foreign currency forwards, swaps and futures are revalued based on inter-bank exchange rate announced by State Bank of Vietnam. Gain or loss from revaluation is recognized as "*Gain/ Loss from foreign exchange activities*".

2.20 *Offsetting*

Financial assets and financial liabilities are offset and the net amount 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 realize the asset and settle the liability simultaneously.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Use of estimates

The preparation of the consolidated financial statements requires the Board of Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income and expenses and the resultant provisions.

2.22 Employee benefits

2.22.1 Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 15.00% of an employee's basic salary on a monthly basis. The Bank has no further obligation to fund the post employment benefits of its employees, other than the liability to pay Social Insurance Agency on a monthly basis.

The Bank's 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 3 months of salary to these employees from its salary expense.

2.22.2 Voluntary resignation and retrenchment benefits

Voluntary resignation benefits: the Bank has the obligation, under Section 42 of the Vietnam Labor Code amended on 2 April 2002, to pay allowance arising from voluntarily resignation of employees, equal to one-half month's salary for each year of employment plus salary allowances (if any).

Retrenchment benefits: the Bank has the obligation, under Section 17 of the Vietnam Labor Code, to pay allowance to employees who are retrenched as a result of organizational 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 salary for each year of employment, but no less than two months' salary. Changes in balance of allowance to employees are recorded in personnel expense for current year.

While the obligations under Sections 17 and 42 are compulsory, the implementation of these Sections is subject to detailed guidance issued by the Ministry of Finance in implementing circulars. In accordance with Circular 64/1999/TT-BTC dated 7 June 1999 and Circular 82/2003/TT-BTC dated 14 August 2003 by the Ministry of Finance which superseded Circular 64/1999/TT-BTC, banks are required to calculate retrenchment allowance equal 3.00% per annum on the basic salary of the employees. The outstanding balance of employee termination reserve which was previously created at 10% from the profit after tax and after appropriation of supplementary capital reserve in accordance with the guidance of Circular 64/1999/TT-BTC should be transferred to retrenchment allowance as provided under Circular 82.

2.22.3 Unemployment Insurance

The Bank has obligation to contribute to the unemployment insurance fund at the amount equal to 1% 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 04/2009/TT-BLDTBXH providing guidance on implementation of the Decree 127/2008/ND-CP.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

3. SEGMENT REPORTING

3.1. Segment reporting in terms of business fields

	<i>Credit</i>	<i>Investment</i>	<i>Services</i>	<i>Treasury</i>	<i>Others</i>	<i>VNDm Total</i>
<i>For the period from 1 January to 31 December 2009</i>						
1. Income from credit activities	1,078,970	-	-	-	-	1,078,970
2. Income from investment activities	-	376,274	-	-	-	376,274
3. Income from treasury activities	-	-	-	307,905	-	307,905
4. Income from services	-	-	74,712	-	-	74,712
5. Income from foreign exchange activities	-	-	-	150,981	-	150,981
6. Income from derivatives	-	-	-	17,288	-	17,288
7. Income to allocate	2,727	77	7,125	111	4,850	14,890
8. Direct expenses	(2,623)	(4,215)	(17,686)	(1,131,907)	-	(1,156,431)
9. Expenses to allocate	(82,345)	(2,334)	(215,031)	(3,334)	(146,355)	(449,399)
Profit before tax	996,729	369,802	(150,880)	(658,956)	(141,505)	415,190
<i>As at 31 December 2009</i>						
1. Departmental assets	12,701,664	5,151,942	-	6,360,987	-	24,214,593
2. Assets to allocate	596,356	16,900	1,557,285	24,144	1,059,919	3,254,604
Total assets	13,298,020	5,168,842	1,557,285	6,385,131	1,059,919	27,469,197
1. Departmental liabilities	31,884	-	-	9,943,404	-	9,975,288
2. Liabilities to allocate	2,762,600	78,292	7,214,078	111,846	4,910,048	15,076,864
Total liabilities	2,794,484	78,292	7,214,078	10,055,250	4,910,048	25,052,152

3.2. Segment reporting in terms of geographic areas

All of the Bank's activities are carried out in Vietnam.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

4. CASH AND CASH EQUIVALENTS

	31/12/2009 VNDm	31/12/2008 VNDm
Cash on hand in VND	85,175	47,357
Cash on hand in foreign currencies	53,906	20,122
	139,081	67,479

5. BALANCES WITH THE STATE BANK OF VIETNAM (“THE SBV”)

	31/12/2009 VNDm	31/12/2008 VNDm
Current account at SBV	920,132	216,117
	920,132	216,117

Balances with the SBV include settlement and compulsory deposits. During 2009, the SBV made numerous changes in rates for compulsory deposits in both VND and foreign currencies. As at 31 December 2009, compulsory deposits in VND and settlement deposits in foreign currencies earn annual interest at rates of 1.20% p.a. and 0.5% p.a. respectively (2008: 3.60% p.a. and 1.00% p.a. respectively).

In accordance with the regulations of the SBV, 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 7.00% for demand deposits and deposits with terms of less than 12 months in VND and foreign currencies, respectively, and at 1.00% and 3.00% 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 2009 were remained at VNDm 317,053 and USD 4,463,661 (or VNDm 82,564).

During the year, the Bank has complied with the SBV’s requirements regarding the maintenance of the compulsory deposits with the SBV.

6. PLACEMENTS WITH AND LOANS TO OTHER BANKS

	31/12/2009 VNDm	31/12/2008 VNDm
Current accounts with other banks	6,357,324	2,945,975
Term deposits with and loans to other banks	-	-
	6,357,324	2,945,975

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

6. PLACEMENTS WITH AND LOANS TO OTHER BANKS (continued)

6.1 Placements with other banks

	31/12/2009 VNDm	31/12/2008 VNDm
Current accounts with other banks	121,308	34,698
In VND	10,022	6,120
In foreign currencies and gold	111,286	28,578
Term deposits with and loans to other banks	6,236,016	2,911,277
In VND	5,635,448	1,902,800
In foreign currencies and gold	600,568	1,008,477
	<u>6,357,324</u>	<u>2,945,975</u>

7. TRADING SECURITIES

Investments in trading securities as at 31 December include:

	31/12/2009 VNDm	31/12/2008 VNDm
Debt securities	-	474,840
Securities issued by the Government of Vietnam	-	170,351
Securities issued by other local credit institutions	-	304,489
Securities issued by local business entities	-	-
Securities issued by foreign entities	-	-
Equity securities	16,500	19,859
Securities issued by other local credit institutions	-	10,440
Securities issued by local business entities	16,500	9,419
Securities issued by foreign entities	-	-
Other trading securities	-	-
Provision for impairment of trading securities	-	(14,168)
	<u>16,500</u>	<u>480,531</u>

The listing status of trading securities is as follows:

	31/12/2009 VNDm	31/12/2008 VNDm
Debt securities	-	474,840
Listed	-	-
Unlisted	-	474,840
Equity securities	16,500	19,859
Listed	-	9,419
Unlisted	16,500	10,440
Other trading securities	-	-
Listed	-	-
Unlisted	-	-
	<u>16,500</u>	<u>494,699</u>

In 2009, equity securities held for trading purpose in 2008 were reclassified to available-for-sale portfolio under the guidance of Circular 2601/NHNN-TCKT on classification and provision for financial investments, according to which trading securities are those bought by the Bank for trading purpose and kept by the Bank for less than 1 year to earn gains from trading.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

8. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

	<i>Total contract value (at exchange rate at the contract effective date)</i> VNDm	<i>Total book value (at exchange rate at balance sheet date)</i>		
		<i>Assets</i>	<i>Liabilities</i>	<i>Net assets/ (liabilities)</i>
		VNDm	VNDm	VNDm
As at 31 December 2009				
<i>Currency derivatives</i>	721,327	416,958	413,295	3,663
Forward contracts	721,327	416,958	413,295	3,663
As at 31 December 2008				
<i>Currency derivatives</i>	34,980	41,341	40,972	369
Forward contracts	34,980	41,341	40,972	369

9. LOANS AND ADVANCES TO CUSTOMERS

	<i>31/12/2009</i> VNDm	<i>31/12/2008</i> VNDm
Loans to local business entities and individuals	12,813,853	6,231,779
Discounted valuable papers	12,093	-
Trusted loans	2,802	20,920
	12,828,748	6,252,699
	<i>2009</i> <i>interest</i> <i>% p.a.</i>	<i>2008</i> <i>interest</i> <i>% p.a.</i>
Commercial loans denominated in VND	11.99	15.87
Commercial loans denominated in foreign currencies	6.04	8.83

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

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

9.1. Analysis of loans by quality

	31/12/2009 VNDm	31/12/2008 VNDm
Current	12,414,107	5,968,921
Special mention	56,445	165,824
Substandard	50,895	49,696
Doubtful	148,830	56,612
Loss	158,471	11,646
	12,828,748	6,252,699

9.2. Analysis of loans by original terms

	31/12/2009 VNDm	31/12/2008 VNDm
Short-term loans	7,555,672	3,892,067
Medium-term loans	3,924,482	1,551,913
Long-term loans	1,348,594	808,719
	12,828,748	6,252,699

9.3. Analysis of loans by ownership

The details of the Bank's loan portfolio by type of business entity as at year end are as follows:

	31/12/2009 VNDm	%	31/12/2008 VNDm	%
Corporate loans	9,657,554	75.28	4,621,173	73.91
Central state-owned enterprises	406,792	3.17	113,564	1.82
Provincial state-owned enterprises	56,005	0.44	16,929	0.27
State limited liability companies	609,842	4.76	114,628	1.83
Private limited liability companies	2,910,404	22.69	1,687,605	26.99
State joint-stock companies	851,654	6.64	320,454	5.13
Other joint-stock companies	2,793,064	21.77	1,666,128	26.65
Partnerships	122,351	0.95	30,000	0.48
Private enterprises	186,205	1.45	43,329	0.69
Foreign invested enterprises	328,918	2.56	183,943	2.94
Co-operatives	1,392,319	10.85	444,593	7.11
Individual loans	3,071,612	23.94	1,599,191	25.58
Other loans	99,582	0.78	32,335	0.51
	12,828,748	100.00	6,252,699	100.00

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

9.4. Analysis of loans by sectors

The Bank's loan portfolio at year end comprises loans to entities in the following industrial sectors:

	<i>31/12/2009</i>		<i>31/12/2008</i>	
	<i>VNDm</i>	<i>%</i>	<i>VNDm</i>	<i>%</i>
Agricultural and forestry	2,656,136	20.70	948,027	15.16
Aquaculture	156,645	1.22	76,508	1.23
Mining	1,374,825	10.72	528,541	8.45
Processing	690,746	5.39	447,147	7.15
Electricity, petroleum & water	31,430	0.24	10,325	0.17
Construction	1,170,496	9.12	1,037,618	16.59
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal goods	784,085	6.11	509,802	8.15
Hospitality	59,620	0.46	21,826	0.35
Transportation and communications	314,494	2.45	66,964	1.07
Financial services	184,490	1.44	87,517	1.40
Scientific research	39,663	0.31	3,834	0.06
Real estate development & property investment	86,194	0.67	94,473	1.51
Government agents	1,621	0.01	2,935	0.05
Education and training	5,600	0.05	2,985	0.05
Healthcare and community development	25,272	0.20	7,644	0.12
Recreational, cultural, sporting activities	1,445	0.01	610	0.01
Community, social and personal service activities	330,543	2.58	287,813	4.60
Households services	877	0.01	495	0.01
International activities	30,634	0.24	30,246	0.49
Others	4,883,932	38.07	2,087,389	33.38
	<u>12,828,748</u>	<u>100.00</u>	<u>6,252,699</u>	<u>100.00</u>

10. CHANGES IN THE PROVISION FOR CREDIT LOSSES

The breakdown of provision for loan losses as at 31 December 2009 that is disclosed in the consolidated balance sheet is as follow:

	<i>VNDm</i>
Provision for credit losses	127,084
Provision for contingent liabilities and off-balance sheet commitments	3,559
	<u>130,643</u>

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

10. CHANGES IN THE PROVISION FOR CREDIT LOSSES (continued)

Changes in the provision for credit losses in the current year are summarised below:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	11,849	14,125	25,974
Provision expense in the year	66,254	42,247 (*)	108,501
Reversal of provision during the year	(3,689)	(143)	(3,832)
Bad debts written off during the year	-	-	-
Closing balance	74,414	56,229	130,643

Changes in the provision for credit losses in the previous year are summarised below:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	2,747	5,336	8,083
Provision expense in the year	9,102	8,789 (*)	17,891
Reversal of provision during the year	-	-	-
Bad debts written off during the year	-	-	-
Closing balance	11,849	14,125	25,974

(*): General provision includes general provision for loans to customers from Group 1 to 4 and for off-balance sheet commitments.

The breakdown of loan classification and provision as required by Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN and the Bank's own policy as at 31 December 2009 is as follows:

<i>Classification</i>	<i>Loan balance VNDm</i>	<i>Required specific provision VNDm</i>	<i>Required general provision VNDm</i>	<i>Total required provision VNDm</i>	<i>Total provision made by the Bank VNDm</i>
Current	12,414,107	-	93,106	93,106	51,353
Special mention	56,445	691	423	1,114	1,011
Substandard	50,895	1,427	382	1,809	1,678
Doubtful	148,830	26,938	1,116	28,054	27,684
Loss	158,471	45,358	-	45,358	45,358
	12,828,748	74,414	95,027	169,441	127,084

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10. CHANGES IN THE PROVISION FOR CREDIT LOSSES (continued)

Provision for contingent liabilities and off-balance sheet commitments as at 31 December 2009:

<i>Classification</i>	<i>Balance VNDm</i>	<i>Required specific provision VNDm</i>	<i>Required general provision VNDm</i>	<i>Total required provision VNDm</i>	<i>Total provision made by the Bank VNDm</i>
Current	1,212,349	-	9,093	9,093	3,559
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	1,212,349	-	9,093	9,093	3,559

As at 31 December 2009, the Bank made full specific provision for its whole loan balance under Decision 493/2005/QĐ-NHNN and Decision 18/2007/QĐ-NHNN issued by the SBV. Decision 493/2005/QĐ-NHNN allows banks to make full general provision at 0.75% of total loan balance of groups 1 to 4 and balance of off-balance-sheet commitments within 5 years from the effective date of this decision, which is May 2010. The Bank will make full general provision at the rate of 0.75% before May 2010.

11. INVESTMENT SECURITIES

	<i>31/12/2009 VNDm</i>	<i>31/12/2008 VNDm</i>
Available-for-sale securities	3,335,951	955,000
<i>Debt securities</i>	<i>3,316,013</i>	<i>955,000</i>
Securities issued by the Government of Vietnam	-	-
Securities issued by other local credit institutions	602,095	-
Securities issued by local business entities	2,713,918	955,000
Securities issued by foreign entities	-	-
<i>Equity securities</i>	<i>19,938</i>	<i>-</i>
Securities issued by other local credit institutions	11,200	-
Securities issued by local business entities	8,738	-
Securities issued by foreign entities	-	-
Provision for available-for-sale securities	(10,808)	-
Held-to-maturity securities	1,540,500	1,000,500
Securities issued by the Government of Vietnam	1,040,500	500
Securities issued by other local credit institutions	500,000	1,000,000
Securities issued by local business entities	-	-
Securities issued by foreign entities	-	-
Provision for held-to-maturity securities	-	-
	4,865,643	1,955,500

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

11. INVESTMENT SECURITIES (continued)

11.1 Available-for-sale securities

11.1.1 Debt securities

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

	31/12/2009		31/12/2008	
	Face value VNDm	Carrying value VNDm	Face value VNDm	Carrying value VNDm
Securities issued by other local credit institutions	600,000	602,095	-	-
Bonds issued by Bank for Investment and Development of Vietnam	300,000	302,095	-	-
Bonds issued by Hanoi Building Commercial J.S. Bank	100,000	100,000	-	-
Bonds issued by Sai Gon Thuong Tin Commercial J.S. Bank	100,000	100,000	-	-
Bonds issued by Maritime Commercial J.S. Bank	100,000	100,000	-	-
Securities issued by economic entities	2,716,000	2,713,918	955,000	955,000
Bonds issued by Lilama Corporation	36,000	36,000	5,000	5,000
Bonds issued by No.1 Construction Corporation	300,000	300,000	-	-
Bonds issued by Phu Hoang Anh JSC.	100,000	100,000	-	-
Debt securities issued by other economic entities	2,280,000	2,277,918	545,000	545,000
	3,316,000	3,316,013	955,000	955,000

Bonds issued by Bank for Investment and Development of Vietnam mature after 5 years since issued date, and have interest rates of 8.15% p.a. and 9.50% p.a., interest is paid annually.

Bonds issued by Hanoi Building Commercial Joint Stock Bank have terms of 2 years, interest is to be paid annually. Interest rate for the first year is 10.50% p.a. and will float for the second year. Interest will be the lower of 2.80% p.a. plus (+) average interest of 4 big banks in Vietnam for 12-month VND denominated saving deposits whose interest is paid at maturity and the ceiling interest rates regulated by the SBV for mobilization by bonds applied to commercial banks.

Bonds issued by Saigon Thuong tin Commercial Joint Stock Bank have terms of 3 years and interest rate of 10.50% p.a. for the first year. Interest rate floats in the following years. Interest rate will be the lowest among 2.75% p.a. plus (+) average interest of 4 big banks in Vietnam for 12-month VND denominated saving deposits whose interest is paid at maturity, 150% of basic interest rates announced by the SBV at the date of interest determination and the highest rates permitted by Decision No. 16/2008/QD-NHNN dated 16 May 2008 of the Governor of the SBV. Interest is paid annually.

Bonds issued by Maritime Commercial Joint Stock Bank have terms of 2 years, interest which is paid annually is at the rate of 10.50% p.a. for the first year and floats for the second year. The rate for the second year is determined at 2.60% p.a. plus (+) average interest of 4 big banks in Vietnam for 12-month VND denominated saving deposits whose interest is paid at maturity.

Bonds issued by Lilama Corporation have terms of 5 years and interest rate of 8.80% p.a.. Interest is paid annually.

Bonds issued by No.1 Construction Corporation have terms of 3 years and interest of 12.00% p.a. for the first year. Interest rate is to be determined every 6 months from the second year (at 3% p.a. plus (+) average interest of Bank for Investment and Development of Vietnam and SHB for 12-month saving deposits whose interest is paid at the end of the term. Interest is paid every 6 months from the second year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. INVESTMENT SECURITIES (continued)

11.1 Available-for-sale securities (continued)

11.1.1 Debt securities (continued)

Bonds issued by Phu Hoang Anh JSC. have terms of 3 years, interest paid every 6 months and rates of 11.00% p.a. for the first interest payment. Interest will float since the second interest payment and will be calculated at 3.50% p.a. plus (+) Ho Chi Minh Housing Development Bank's interest rates for 12 month deposits whose interest is paid at maturity yet interest rate is not lower than 11.00% p.a.

Debt securities issued by other economic entities have terms ranging from 2 to 10 years, interest rates from 9.40% p.a. to 15.00% p.a. and interest being paid annually.

11.1.2 Equity securities

Details of available-for-sale equity securities held by the Bank as at 31 December are as follows:

	31/12/2009		31/12/2008	
	Cost VNDm	% owner- ship of the Bank	Cost VNDm	% owner- ship of the Bank
Investments in other local credit institutions	11,200		-	
Bank for Foreign Trade of Vietnam	10,440	0.09	-	-
Saigon Thuong tin Commercial Joint Stock Bank	760	0.01	-	-
Investment in economic entities	8,738		-	
Cuu Long Fish Corporation	86	0.10	-	-
Refrigeration Electrical Engineering Corporation	1,540	0.27	-	-
Hanoi Maritime Holding Company	294	0.22	-	-
Thu Duc Housing Development Corporation	1,948	0.51	-	-
PV Drilling and Well Services Corporation	800	0.04	-	-
Ho Chi Minh City Infrastructure Investment JSC.	660	0.09	-	-
SMC Trading Investment JSC.	727	0.66	-	-
HAI Agrochem JSC.	913	0.63	-	-
Petroleum Technical Services Corporation	1,770	0.10	-	-
	19,938		-	

These bonds were reclassified from trading securities (see also Note 7).

11.2 Held-to-maturity securities

	31/12/2009		31/12/2008	
	Face value VNDm	Carrying value VNDm	Face value VNDm	Carrying value VNDm
Government bonds	1,040,500	1,040,500	500	500
Bonds issued by the State Treasury	500	500	500	500
Bonds issued by the Government	1,040,000	1,040,000	-	-
Bonds issued by other credit institutions	500,000	500,000	1,000,000	1,000,000
Bills issued by Vietnam Bank for Agriculture and Rural Development	500,000	500,000	1,000,000	1,000,000
	1,540,500	1,540,500	1,000,500	1,000,500

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. INVESTMENT SECURITIES (continued)

11.2 Held-to-maturity securities (continued)

Bonds issued by the State Treasury have terms of 5 years and interest rate of 8.60% p.a., interest is to be paid at maturity. The Bank has the intention and ability to hold these bonds to maturity.

Bonds issued by the Government include two sets of bonds. One set is VNDm 40,000 bonds with terms of 5 years, interest rate of 8.70% p.a. and interest being paid annually. The other set is VNDm 1,000,000 bonds with terms of 3 years, interest rate of 11.00% p.a. and interest being paid annually. The Bank has the intention and ability to hold these bonds to maturity.

Bills issued by Vietnam Bank for Agriculture and Rural Development have terms of 9 months and interest rate of 9.72% p.a., interest was prepaid at the time of purchase. The Bank has the intention and ability to hold these bonds to maturity.

12. LONG-TERM INVESTMENTS

	<i>Other long-term investments VNDm</i>
Balance as at 1 January 2009	748,159
Increase during the year	22,640
Decrease during the year	(501,000)
Provision for impairment	-
Balance as at 31 December 2009	269,799

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

	31/12/2009			31/12/2008		
	Cost VNDm	Carrying value VNDm	% owner- ship of the Bank	Cost VNDm	Carrying value VNDm	% owner- ship of the Bank
Nghe An Rubber Investment and Development JSC	600	600	0.40	600	600	0.80
Saigon – Hanoi Fund Management JSC.	5,200	5,200	10.40	5,200	5,200	10.40
Saigon – Hanoi Securities JSC.	41,090	41,090	10.01	35,000	35,000	10.00
Phuoc Hoa Rubber JSC.	27,859	27,859	0.62	27,859	27,859	0.82
An Viet Development JSC.	1,000	1,000	2.00	1,000	1,000	2.00
SHB – Vinacomin Insurance JSC.	30,000	30,000	10.00	30,000	30,000	10.00
Lilama SHB Investment and Construction JSC.	11,000	11,000	11.00	11,000	11,000	11.00
Nam Viet Investment and Finance JSC.	1,500	1,500	1.25	1,500	1,500	2.14
Son Lam Company Limited	135,000	135,000	10.69	135,000	135,000	10.70
Thanh Viet Fund Management JSC.	-	-	-	501,000	501,000	0.10
SHB – Da Nang Sport JSC.	550	550	11.00	-	-	-
Gentraco Feed JSC.	8,000	8,000	10.00	-	-	-
An Thinh Real Estate JSC.	8,000	8,000	10.00	-	-	-
	269,799	269,799		748,159	748,159	

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

13. FIXED ASSETS

13.1. Tangible fixed assets

Movements of tangible fixed assets during the year ended 31 December 2009 are as follows:

	<i>Buildings & building improvements</i> VNDm	<i>Machines & equipment</i> VNDm	<i>Motor vehicles</i> VNDm	<i>Office equipment</i> VNDm	<i>Others</i> VNDm	<i>Total</i> VNDm
Cost						
Opening balance	42,592	12,199	35,102	21,821	1,100	112,814
Additions in the year	1,965	6,917	15,109	13,680	2,312	39,983
Finished construction	1,223	-	4,662	-	-	5,885
Other increases	29	894	-	-	142	1,065
Transfer to investment properties	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other decreases	-	(550)	-	-	-	(550)
Closing balance	45,809	19,460	54,873	35,501	3,554	159,197
Accumulated depreciation						
Opening balance	3,638	2,267	4,576	5,007	159	15,647
Charged for the year	2,302	1,934	6,395	6,333	374	17,338
Other increases	-	149	-	-	23	172
Transfer to investment properties	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other decreases	-	-	-	-	-	-
Closing balance	5,940	4,350	10,971	11,340	556	33,157
Net book value						
At the beginning of period	38,954	9,932	30,526	16,814	941	97,167
At the end of period	39,869	15,110	43,902	24,161	2,998	126,040

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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13. FIXED ASSETS (continued)

13.1 *Tangible fixed assets* (continued)

Movements in tangible fixed assets during the year ended 31 December 2008 are as follows:

	<i>Buildings & building improvements</i> VNDm	<i>Machines & equipment</i> VNDm	<i>Motor vehicles</i> VNDm	<i>Office equipment</i> VNDm	<i>Others</i> VNDm	<i>Total</i> VNDm
Cost						
Opening balance	15,985	7,857	19,776	12,616	284	56,518
Additions in the year	26,607	4,342	15,326	9,194	816	56,285
Finished construction	-	-	-	-	-	-
Other increases	-	-	-	11	-	11
Transfer to investment properties	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other decreases	-	-	-	-	-	-
Closing balance	42,592	12,199	35,102	21,821	1,100	112,814
Accumulated depreciation						
Opening balance	1,849	817	1,917	1,834	50	6,467
Charged for the year	1,789	1,450	2,659	3,173	109	9,180
Other increases	-	-	-	-	-	-
Transfer to investment properties	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other decreases	-	-	-	-	-	-
Closing balance	3,638	2,267	4,576	5,007	159	15,647
Net book value						
At the beginning of period	14,136	7,040	17,859	10,782	234	50,051
At the end of period	38,954	9,932	30,526	16,814	941	97,167

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13. FIXED ASSETS (continued)

13.2 Intangible fixed assets

Movements in intangible assets during the year ended 31 December 2009 are as follows:

	<i>Land use rights VNDm</i>	<i>Computer software VNDm</i>	<i>Other intangible assets VNDm</i>	<i>Total VNDm</i>
Cost				
Opening balance	705,386	3,135	20,000	728,521
Additions in the year	-	1,230	-	1,230
Other additions	-	191	-	191
Disposals	-	-	-	-
Other decreases	-	-	-	-
Closing balance	<u>705,386</u>	<u>4,556</u>	<u>20,000</u>	<u>729,942</u>
Accumulated depreciation				
Opening balance	164	533	1,000	1,697
Charged for the year	158	167	333	658
Other increases	-	-	-	-
Disposals	-	-	-	-
Other decreases	-	-	-	-
Closing balance	<u>322</u>	<u>700</u>	<u>1,333</u>	<u>2,355</u>
Net book value				
At the beginning of period	<u>705,222</u>	<u>2,602</u>	<u>19,000</u>	<u>726,824</u>
At the end of period	<u><u>705,064</u></u>	<u><u>3,856</u></u>	<u><u>18,667</u></u>	<u><u>727,587</u></u>

Changes in intangible fixed assets for the year ended 31 December 2008 are as follows:

	<i>Land use rights VNDm</i>	<i>Computer software VNDm</i>	<i>Other intangible assets VNDm</i>	<i>Total VNDm</i>
Cost				
Opening balance	291,842	2,405	-	294,247
Additions in the year	413,544	730	20,000	434,274
Other additions	-	-	-	-
Disposals	-	-	-	-
Other decreases	-	-	-	-
Closing balance	<u>705,386</u>	<u>3,135</u>	<u>20,000</u>	<u>728,521</u>
Accumulated depreciation				
Opening balance	6	345	-	351
Charged for the year	158	188	1,000	1,346
Other increases	-	-	-	-
Disposals	-	-	-	-
Other decreases	-	-	-	-
Closing balance	<u>164</u>	<u>533</u>	<u>1,000</u>	<u>1,697</u>
Net book value				
At the beginning of period	<u>291,836</u>	<u>2,060</u>	<u>-</u>	<u>293,896</u>
At the end of period	<u><u>705,222</u></u>	<u><u>2,602</u></u>	<u><u>19,000</u></u>	<u><u>726,824</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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14. OTHER ASSETS

	31/12/2009 VNDm	31/12/2008 VNDm
Interest and fee receivables	307,391	124,200
Construction in progress	69,007	7,999
Receivables	350,671	142,639
Provisions for impairment of other assets	(720)	-
Other assets	615,415	641,193
	1,341,764	916,031

14.1. Construction in progress

	31/12/2009 VNDm	31/12/2008 VNDm
Purchase of fixed assets		
Purchase of land use rights	53,949	1,335
Core banking	15,008	618
Vehicles for money transfer	-	3,914
ATM management software	-	80
SWIFT system	-	747
Others	50	1,305
	69,007	7,999

14.2. Receivables

	31/12/2009 VNDm	31/12/2008 VNDm
Internal receivables	48	51
Receivables from employees	48	51
External receivables	350,623	142,588
Receivables from customers	106,156	105,528
Deposits	16,414	32,010
Interest subsidies receivable from SBV	20,994	-
Dividend advances	159,606	-
Other receivables	47,453	5,050
	350,671	142,639

14.3. Other assets

	31/12/2009 VNDm	31/12/2008 VNDm
Trust assets	574,902	615,000
Prepaid expenses	38,274	25,048
Foreclosed assets	1,135	-
Others	1,104	1,145
	615,415	641,193

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15. DEPOSITS AND BORROWINGS FROM OTHER BANKS

	31/12/2009 VNDm	31/12/2008 VNDm
Deposits from other banks	9,943,404	2,235,084
Borrowings from other banks	-	-
	9,943,404	2,235,084

15.1 Deposits from other banks

	31/12/2009 VNDm	31/12/2008 VNDm
Demand deposits	33,868	1,473
In VND	33,836	1,376
In gold and foreign currencies	32	97
Term deposits	9,909,536	2,233,611
In VND	8,961,446	2,127,844
In gold and foreign currencies	948,090	105,767
	9,943,404	2,235,084

16. CUSTOMER DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS

16.1 Analysis by products

	31/12/2009 VNDm	31/12/2008 VNDm
Demand deposits	4,082,545	2,990,148
Demand deposit in VND	3,879,991	2,812,575
Demand saving deposits in VND	2,385	5,411
Demand deposits in gold and foreign currencies	199,673	172,162
Demand saving deposits in gold and foreign currencies	496	-
Term deposits	10,402,050	6,506,161
Term deposit in VND	3,609,243	1,533,264
Term saving deposits in VND	5,573,781	3,910,071
Term deposits in gold and foreign currencies	311,253	542,066
Term saving deposits in gold and foreign currencies	907,773	520,760
Deposits for specific purpose	4,397	-
Margin deposits	183,155	11,833
Margin deposits in VND	147,513	2,830
Margin deposits in gold and foreign currencies	35,642	9,003
Money transfer payables	-	-
Money transfer in VND	-	-
Money transfer in gold and foreign currencies	-	-
Other amounts due to customers	-	-
	14,672,147	9,508,142

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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16. CUSTOMER DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS (continued)

16.1. Analysis by products (continued)

	<i>31/12/2009</i> <i>interest rate</i> <i>% p.a.</i>	<i>31/12/2008</i> <i>interest rate</i> <i>% p.a.</i>
Demand deposit in VND	2.44	2.50
Demand saving deposits in VND	2.44	2.50
Demand deposits in gold and foreign currencies	0.51	0.87
Term deposits in VND	8.71	10.25
Saving deposits in VND	9.06	13.97
Term saving deposits in USD	2.94	6.05
Demand saving deposits in USD	0.51	0.87

For term saving deposits, if customers withdraw before maturity, the applicable interest rate will be that for demand saving deposits.

16.2. Analysis by customers

	<i>31/12/2009</i> <i>VNDm</i>	<i>31/12/2008</i> <i>VNDm</i>
Deposits from State Treasury	-	-
Deposits from business entities	7,628,704	4,750,283
State-owned enterprises	3,195,582	2,893,835
Private enterprises and others	2,702,492	1,855,470
Foreign invested enterprises	1,730,630	978
Deposits from individuals	7,003,178	4,757,859
Deposits from others	40,265	-
	<u>14,672,147</u>	<u>9,508,142</u>

17. OTHER BORROWED FUNDS

	<i>31/12/2009</i> <i>VNDm</i>	<i>31/12/2008</i> <i>VNDm</i>
Funds borrowed in VND	31,014	24,650
Funds borrowed in foreign currencies	870	823
	<u>31,884</u>	<u>25,473</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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17. OTHER BORROWED FUNDS (continued)

17.1. Funds borrowed in VND

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

<i>Lending organisations</i>	<i>31/12/2009</i>			<i>31/12/2008</i>		
	<i>Term</i>	<i>VNDm</i>	<i>Interest rate % p.a.</i>	<i>Term</i>	<i>VNDm</i>	<i>Interest rate % p.a.</i>
Medium-term borrowings in VND from Rural Finance Project II (RDF II)	Over 18 months	31,014	9.12	over 2 years	23,930	10.32 – 14.64
Medium-term and Long-term borrowings in VND from Micro Lending Finance (MLF)		-		over 2 years	720	10.32 – 14.64
		31,014			24,650	

Borrowings from Rural Finance Project II are borrowings from International Development Association (World Bank) through the Ministry of Finance to provide loans to households with the aim of rural development and poverty reduction in Vietnam. The interest rate applicable for these borrowings is 9.12% p.a. (2008: 10.32-14.64% p.a.); loans to households bear interest rates as declared by the Bank in different periods.

17.2. Funds borrowed in foreign currencies

Details of funds borrowed as at 31 December are:

<i>Lending organisations</i>	<i>31/12/2009</i>			<i>31/12/2008</i>		
	<i>Term</i>	<i>VNDm</i>	<i>Interest rate % p.a.</i>	<i>Term</i>	<i>VNDm</i>	<i>Interest rate % p.a.</i>
International Development Association (World Bank)	20 years	870	0.75	20 years	823	0.75
		870			823	

18. OTHER PAYABLES

	<i>31/12/2009</i>	<i>31/12/2008</i>
	<i>VNDm</i>	<i>VNDm</i>
Internal payables	2,180	8,068
Payables to employees	814	7,359
Termination allowance reserve	1,366	709
External payables	227,730	204,503
Payables to securities investors	-	-
Payables for construction and fixed asset acquisition	6,463	6,463
Value Added Tax payable	3,666	886
Enterprise Income Tax payable	75,690	52,917
Amounts pending for settlement	45,748	6,505
Deferred income	29,560	35,337
Prepaid interest	23,170	76,933
Other payables	43,433	25,462
	229,910	212,571

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19. OBLIGATIONS TO THE STATE

	Opening balance	Movements during the year		VNDm
		Payable	Paid	Closing balance
Value Added Tax	886	12,214	9,434	3,666
<i>Value Added Tax on providing services</i>	54	7,995	4,424	3,625
<i>Value Added Tax on FX trading</i>	832	4,219	5,010	41
Enterprise Income Tax	52,917	96,785	74,012	75,690
Enterprise Income Tax additions for previous year	-	59	59	-
License Tax	-	68	68	-
Foreign Contractor Withholding Tax	-	530	530	-
Other taxes	4,887	7,415	9,682	2,620
Other fees and payables	-	53	53	-
	58,690	117,124	93,838	81,976

The Bank has the obligation to pay Enterprise Income Tax ("EIT") at the rate of 25% of taxable profits (2008: 28%).

The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to 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.

19.1 Current Enterprise Income Tax

Current enterprise income tax payables are determined based on taxable income of the current year. Taxable income is different from the one reported in the consolidated income statement since taxable income excludes incomes which are eligible for tax or expense which is subtracted in prior years due to the differences between the Bank's 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 are calculated based on the statutory tax rates applicable at the end of the fiscal year.

Saigon – Hanoi Commercial Joint Stock Bank

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19. OBLIGATIONS TO THE STATE (continued)

19.1 Current Enterprise Income Tax (continued)

	2009 VNDm	2008 VNDm
Operating profit before tax	415,190	269,361
<i>In which:</i>		
Profit before tax of the Bank	378,139	269,361
Profit before tax of the subsidiary	37,051	-
<i>Less</i>		
Dividend income exempt from EIT	(16,936)	(2,965)
Dividend received from State Treasury bonds	-	-
Profit of the subsidiary which is separately taxed	(37,051)	-
Share of profits from equity investments in joint ventures using equity method	-	-
<i>Add</i>		
Previous years' surplus/ shortage provision creation	-	-
Taxable income of the Bank itself	361,203	266,396
EIT expense of the Bank itself at the rate of 25% (2008: 28%)	90,301	74,591
Additional EIT due to adjustment to profit of the Bank	-	-
EIT expense of the subsidiary, at the rate of 25% (**)	6,484	-
Total EIT in fiscal year	96,785	74,591
EIT payable at beginning of the year	52,917	-
EIT paid during the year	(74,071)	(54,639)
Adjustments by tax authorities	59	32,965
EIT payable at the end of year	75,690	52,917

(**): As per guidance of Circular 03/2009/TT-BTC issued by the Ministry of Finance on 13 January 2009 on the enterprise income tax deduction and payment extension, the Bank's subsidiary is allowed for the 30% deduction of enterprise income tax expense for the year 2009 as its average number of employees did not exceed 300 persons, which satisfied the criteria of a small and medium company as stated in the circular.

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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20. OWNER'S EQUITY AND RESERVES

20.1. Statement of changes in owner's equity

Changes in owner's equity of the Bank in 2009 are described in the following table:

	VNDm								
	<i>Chartered capital</i>	<i>Capital surplus</i>	<i>Treasury shares</i>	<i>Investment and development fund</i>	<i>Financial reserve</i>	<i>Supplemental capital reserve</i>	<i>Other reserves</i>	<i>Retained earnings/ Accumulated loss</i>	<i>Total</i>
Opening balance	2,000,000	48,000	(2,351)	13	32,362	16,701	4,418	167,512	2,266,655
Increase in the year									
Capital increase in the year	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	318,405	318,405
Appropriation of reserves for previous year	-	-	-	-	-	-	5,024	(5,024)	-
Temporary appropriation of reserves for current year	-	-	-	-	32,677	17,199	-	(49,876)	-
Transfer from reserves to capital	-	-	-	-	-	-	-	-	-
Treasury shares sold during the year	-	-	-	-	-	-	-	-	-
Other increases	-	-	-	-	-	-	-	-	-
Decrease in the year									
Utilization in the year	-	-	-	-	-	-	(5,514)	-	(5,514)
Treasury shares bought during the year	-	-	(2,606)	-	-	-	-	-	(2,606)
Final dividend payment for previous year	-	-	-	-	-	-	-	(159,836)	(159,836)
Dividend advance for the year	-	-	-	-	-	-	-	-	-
Other decreases	-	-	-	-	-	-	-	(59)	(59)
Closing balance	2,000,000	48,000	(4,957)	13	65,039	33,900	3,928	271,122	2,417,045

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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20. OWNER'S EQUITY AND RESERVES (continued)

20.1. Statement of changes in owner's equity (continued)

Detailed increases of the Bank's chartered capital in 2009 are as follows:

	VNDm					
	31/12/2009			31/12/2008		
	<i>Total</i>	<i>Ordinary shares</i>	<i>Preference shares</i>	<i>Total</i>	<i>Ordinary shares</i>	<i>Preference shares</i>
Contributed capital by shareholders	2,000,000	2,000,000	-	2,000,000	2,000,000	-
Capital surplus	48,000	48,000	-	48,000	48,000	-
Treasury shares	(4,957)	(4,957)	-	(2,351)	(2,351)	-
	2,043,043	2,043,043	-	2,045,649	2,045,649	-

Details of shares issued by the Bank are as follows:

	2009	2008
<i>Shares registered for issuance</i>	200,000,000	200,000,000
<i>Shares sold to the public</i>	200,000,000	200,000,000
Ordinary shares	200,000,000	200,000,000
Preference shares	-	-
<i>Treasury shares</i>	467,596	221,830
Ordinary shares	467,596	221,830
Preference shares	-	-
<i>Outstanding shares</i>	199,532,404	199,778,170
Ordinary shares	199,532,404	199,778,170
Preference shares	-	-
<i>Face value of outstanding shares (VND/share)</i>	10,000	10,000

20.2. Statutory reserves of the Bank

On 23 November 2005, the Government issued Decree No. 146/2005/ND-CP regarding the financial management regime of credit institutions which was effective from 16 December 2005. Accordingly, commercial banks are required to make the following allocations of profit after tax to create statutory reserves:

	<i>Percentage of profit after tax</i>	<i>Maximum rate</i>
Supplementary capital reserve	Not regulated	Not regulated

The following reserves are calculated based on the profit after tax, and after deducting the allocation to the supplementary capital reserve (remaining profit after tax):

	<i>Percentage of profit after tax</i>	<i>Maximum rate</i>
Financial reserve	10% of remaining profit after tax	25% of chartered capital
Investment and development fund	Not regulated	Not regulated
Bonus and welfare funds	Not regulated	Not regulated

The utilization of these statutory reserves is in accordance with guidelines as discussed in Decree No. 146/2005/ND-CP.

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21. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by net profit distributed to shareholders of the Bank divided by weighted average number of outstanding ordinary shares in the year. Details of earning per share of the Bank are as follows:

	<u>2009</u>	<u>2008</u>
Net profit for appropriation (VNDm)	318,405	194,770
Less: bonus and welfare fund (VNDm)	-	-
Net profit distributable to shareholders (VNDm)	318,405	194,770
Weighted average number of outstanding ordinary shares (million shares)	<u>200</u>	<u>200</u>
Basis earnings per share (VND/share)	<u>1,592</u>	<u>974</u>

22. DIVIDENDS

The Bank has the intention to pay dividend in cash at the rate of 10.50%. During the year 2009, the Bank advanced dividends at the rate of 8.00% for the first half of the year, which is equivalent to VNDm 159,606.

23. INTEREST AND SIMILAR INCOME

	<u>2009</u> <u>VNDm</u>	<u>2008</u> <u>VNDm</u>
Interest income from deposits with other banks	307,905	329,813
Interest income from loans to customers	836,896	845,935
Interest income from debt securities	275,313	112,460
Other interest income from credit activities	242,074	5,162
	<u>1,662,188</u>	<u>1,293,370</u>

24. INTEREST AND SIMILAR EXPENSES

	<u>2009</u> <u>VNDm</u>	<u>2008</u> <u>VNDm</u>
Interest and similar expenses for customer deposits	1,016,123	1,128,156
Interest and similar expenses for borrowings	2,418	4,196
Other expenses for credit activities	206	218
	<u>1,018,747</u>	<u>1,132,570</u>

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25. NET FEE AND COMMISSION INCOME

	2009 VNDm	2008 VNDm
Fee and commission income from	78,031	14,398
Settlement services	18,071	3,422
Guarantee services	13,617	1,758
Treasury operations	756	394
Agency services	175	106
Other services	45,412	8,718
Fees and commission expenses for	(17,949)	(6,986)
Settlement services	(4,180)	(2,891)
Guarantee services	(1,716)	(547)
Post and telecommunication fees	(5,426)	(3,263)
Other services	(6,627)	(285)
Net fee and commission income	60,082	7,412

26. NET GAIN/ LOSS FROM FOREIGN CURRENCY TRADING

	2009 VNDm	2008 VNDm
Income from foreign currency trading	168,270	32,378
Income from foreign exchange spot contracts	150,982	31,371
Income from gold trading	-	-
Income from currency derivatives	17,288	1,007
Expenses for foreign currency trading	(115,783)	(6,355)
Expenses for foreign exchange spot contracts	(91,056)	(5,067)
Expenses for gold trading	-	-
Expenses for currency derivatives	(24,727)	(1,288)
Net gain/ loss from foreign exchange trading	52,487	26,023

27. NET GAIN/ LOSS FROM TRADING SECURITIES

	2009 VNDm	2008 VNDm
Income from trading securities	32,361	-
Expenses for trading securities	(422)	-
Reversal of provision/ (provision for impairment) of trading securities	-	(14,168)
Net gain/ loss from trading securities	31,939	(14,168)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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28. NET GAIN/ LOSS FROM INVESTMENT SECURITIES

	2009 VNDm	2008 VNDm
Income from investment securities	40,001	-
Expenses for investment securities	-	-
Reversal of provision for investment securities	5,220	-
Provision for impairment of investment securities	(1,860)	-
Net gain/ loss from investment securities	43,361	-

29. NET GAIN/ LOSS FROM OTHER OPERATING ACTIVITIES

	2009 VNDm	2008 VNDm
Income from loan trading	-	-
Income from other derivatives	-	-
Income from other operating activities	14,180	297,055
Expenses for other operating activities	(2,434)	(2,300)
	11,746	294,755

30. DIVIDEND INCOME

	2009 VNDm	2008 VNDm
<i>Dividend received</i>	16,936	2,965
- from trading equity securities	7,052	2,965
- from investment equity securities	219	-
- from capital contribution and other long-term investments	9,665	-
	16,936	2,965

31. OPERATING EXPENSES

	2009 VNDm	2008 VNDm
Tax expenses and fees	15,094	9,269
Employee expenses	143,449	85,398
Salary and allowances	132,765	78,991
Salary related contribution	8,253	4,036
Other allowances	2,428	2,371
Expenses for social activities	3	-
Expenses on fixed assets	58,321	28,520
<i>In which:</i>		
Depreciation expenses	17,996	10,526
General and administration expenses	5,317	2,958
Business trip expenses	5,084	2,710
Expenses for trade union activities	233	248
Insurance for customer deposits	7,011	3,988
Other operating expenses	110,941	60,402
	340,133	190,535

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32. CASH AND CASH EQUIVALENTS

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

	<i>31/12/2009</i> <i>VNDm</i>	<i>31/12/2008</i> <i>VNDm</i>
Cash and cash equivalents	139,081	67,479
Demand deposits at the SBV	920,132	216,117
Demand deposits with other banks	121,308	34,698
Term deposits with and loans to other banks due within 90 days	5,241,016	2,456,223
	<u>6,421,537</u>	<u>2,774,517</u>

33. EMPLOYEES' REMUNERATION

	<i>Actual amount</i> <i>2009</i>	<i>Actual amount</i> <i>2008</i>
I. Total number of employees (persons)	1,348	844
II. Employees' income (VNDm)		
1. Total salary	127,956	83,316
2. Bonus	-	-
3. Other income	-	188
4. Total income (1+2+3)	<u>127,956</u>	<u>83,504</u>
5. Salary per capita per month	<u>7.91</u>	<u>8.24</u>
6. Income per capita per month	<u>7.91</u>	<u>8.24</u>

34. COLLATERALS

	<i>Initial carrying value</i> <i>(VNDm)</i>		<i>Carrying value at the</i> <i>reporting date (VNDm)</i>	
	<i>31/12/2009</i>	<i>31/12/2008</i>	<i>31/12/2009</i>	<i>31/12/2008</i>
Real estate properties	11,038,628	5,073,587	11,038,628	5,073,587
Movable assets	7,249,665	2,948,841	7,249,665	2,948,841
Valuable papers	2,639,090	596,188	2,639,090	596,188
Other assets	2,397,062	43,738	2,397,062	43,738
	<u>23,324,445</u>	<u>8,662,354</u>	<u>23,324,445</u>	<u>8,662,354</u>

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35. 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 recognized in the 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 the amounts at risk should the contract be fully drawn upon and the client defaults in repayment to the beneficiary. Deferred payment letters of credit that defaulted by clients are recognized by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to 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% the value of the commitments issued depending on the customers' trustworthiness.

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

	<i>31/12/2009</i>	<i>31/12/2008</i>
	<i>VNDm</i>	<i>VNDm</i>
Financial letter of guarantees	190,214	-
At sight letters of credit	118,511	-
Deferred payment letters of credit	564,379	-
Other commitments	339,245	37,274
	1,212,349	37,274

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36. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other entities to which the Bank is related. 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 if:

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

Summary of significant transactions with related parties during the year is as follows:

<i>Transactions</i>	<i>VNDm</i>
Payment for advertisement services	50,092
Income from trust contracts	182,038
Dividends received	6,090

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36. RELATED PARTY TRANSACTIONS (continued)

Summary of receivables from and payables to related parties as at 31 December 2009 is as follows:

<i>Transactions</i>	<i>Receivables VNDm</i>	<i>Payables VNDm</i>
Advances for advertisement contracts	19,865	-
Loans	135,713	-
Deposit for securities trading	16,414	-
Trust funds	2,290,430	-
Demand deposits	-	2,269,914
Term deposits	-	920,700

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

	<i>VNDm</i>				
	<i>Total loan balance</i>	<i>Total deposits</i>	<i>Credit commitments</i>	<i>Derivatives (Total contract value)</i>	<i>Trading and investment securities</i>
Domestic	12,828,748	24,629,787	-	721,327	4,892,951
Overseas	-	-	-	-	-

38. RISK MANAGEMENT POLICIES CONCERNING FINANCIAL INSTRUMENTS

The Bank's objective is to optimize the shareholders' wealth and to 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 to gain required interest margin. From the risk management perspective, the Bank is required to maintain balance between off-balance sheet items (such as guarantees and letter of credit) and credits (loans in VND and foreign currencies) to individuals and organizations of different creditworthiness levels. Besides, the Bank also invested part of its mobilized 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 impact to minimize risks. By holding high quality financial instruments, the Bank is able to manage significant risks in its operating activities and to maintain an adequate liquidity position.

For credit risk management purpose, the Bank has effectively utilized their credit management manual providing regulations and requirements for lending and guidance to standardize the lending activities at the Bank. Liquidity risk is limited by keeping a large amount of cash and cash equivalents in the form of Nostro account, term deposits at SBV and other credit institutions and valuable papers. Risk – adjusted 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 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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39. 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.

40. MARKET RISK

40.1. Interest rate risk

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

The following assumptions and conditions are applied in the analysis of real interest rate re-pricing term of the Bank's assets and liabilities:

- ▶ Cash and cash equivalents on hand, long-term investments and other assets (fixed assets, real estate investments and other assets) are classified as non-interest items;
- ▶ Deposits at SBV are considered settlement deposits, thus the real interest repricing term is assumed to be one month;
- ▶ The real interest repricing term of security investments and trading securities which are debt securities is based on actual maturity date at the balance sheet date of each securities; equity securities are classified as non-interest items;
- ▶ The real interest repricing term of deposits due from other banks and loans to other banks, loans to customers, borrowings from Government and SBV, customer deposits are identified as follows:
 - Items with fixed interest rate during the contractual term: the real interest adjustment term is based on the contractual maturity date subsequent to the balance sheet date;
 - Items with floating interest rate: the real interest rate is based on the latest interest rate term subsequent to the balance sheet date;
- ▶ The real interest repricing term of valuable papers is based on the actual maturity date for each valuable paper;
- ▶ The real interest repricing term of other borrowed from funds that the Bank bears risks is based on the actual remaining period subsequent to the balance sheet; and
- ▶ The real interest repricing term for other liabilities is categorised from one to three months. In reality, these items can have different interest rate repricing terms.

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40. MARKET RISK (continued)

40.1. Interest risk (continued)

	VNDm								
	Overdue	Non-interest bearing	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Above 5 years	Total
ASSETS									
Cash and cash equivalents on hand	-	139,081	-	-	-	-	-	-	139,081
Balances with the State Bank of Vietnam	-	-	920,132	-	-	-	-	-	920,132
Placements with and loans to other banks (*)	-	-	3,329,342	2,597,982	100,000	330,000	-	-	6,357,324
Trading securities (*)	-	16,500	-	-	-	-	-	-	16,500
Derivative financial instruments and other financial assets	-	3,663	-	-	-	-	-	-	3,663
Loans and advances to customers (*)	414,641	-	1,592,958	1,591,649	9,229,500	-	-	-	12,828,748
Investment securities (*)	-	19,938	-	-	500,000	1,218,418	3,088,095	50,000	4,876,451
Long-term investments (*)	-	269,799	-	-	-	-	-	-	269,799
Fixed assets and investment properties	-	853,627	-	-	-	-	-	-	853,627
Other assets (*)	14,400	753,194	400,000	91,110	3,780	80,000	-	-	1,342,484
Total assets	429,041	2,055,802	6,242,432	4,280,741	9,833,280	1,628,418	3,088,095	50,000	27,607,809
LIABILITIES									
Deposits of and loans from the SBV and other banks	-	-	(6,613,807)	(2,959,597)	(250,000)	(120,000)	-	-	(9,943,404)
Customers deposits	-	-	(9,362,473)	(3,188,273)	(679,940)	(1,063,314)	(378,147)	-	(14,672,147)
Derivative financial instruments and other financial liabilities	-	-	-	-	-	-	-	-	-
Other borrowed funds	-	-	-	(2,973)	(172)	(2,977)	(25,762)	-	(31,884)
Valuable papers	-	-	-	-	-	-	-	-	-
Other liabilities	-	(372,023)	(32,694)	-	-	-	-	-	(404,717)
Total liabilities	-	(372,023)	(16,008,974)	(6,150,843)	(930,112)	(1,186,291)	(403,909)	-	(25,052,152)
Sensitive difference with on-balance sheet interest rate	429,041	1,683,779	(9,766,542)	(1,870,102)	8,903,168	442,127	2,684,186	50,000	2,555,657
Off-balance sheet commitments affecting sensitive difference with interest rate of assets and liabilities (net)	-	-	-	-	-	-	-	-	-
Sensitive difference with on and off-balance sheet interest rate	429,041	1,683,779	(9,766,542)	(1,870,102)	8,903,168	442,127	2,684,186	50,000	2,555,657

(*): The amounts exclude provisions

Saigon – Hanoi Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

40. MARKET RISK (continued)

40.2. 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 was incorporated and operates in Vietnam, VND is the reporting currency. The major currency in which the Bank transacts is also VND. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. However, some of the Bank's other assets are in currencies other than VND and USD. 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 positions are maintained within established limits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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40. MARKET RISK (continued)

40.2. Currency risk (continued)

Classification of assets and liabilities of which currencies are translated into VND at 31 December 2009 as follow:

	<i>EUR as translated</i>	<i>USD as translated</i>	<i>Other foreign currencies as translated</i>	<i>VNDm</i> <i>Total</i>
ASSETS				
Cash and cash equivalents on hand	12,664	41,239	3	53,906
Balances with the State Bank of Vietnam	-	316,095	-	316,095
Placements with and loans to other banks (*)	14,970	691,030	5,854	711,854
Trading securities (*)	-	-	-	-
Derivative financial instruments and other financial assets (*)	-	-	-	-
Loans and advances to customers (*)	193,250	1,391,618	-	1,584,868
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	-	-	-
Fixed assets and investment properties	-	-	-	-
Other assets (*)	169	5,974	-	6,143
Total assets	221,053	2,445,956	5,857	2,672,866
LIABILITIES				
Deposits of and loans from the SBV and other banks	(162,732)	(785,390)	-	(948,122)
Customers' deposits	(56,029)	(1,398,807)	(1)	(1,454,837)
Derivative financial instruments and other financial liabilities	-	-	-	-
Other borrowings	-	(870)	-	(870)
Valuable papers	-	-	-	-
Other liabilities	(202)	(84,667)	-	(84,869)
Capital and reserves	-	-	-	-
Total liabilities and owner's equity	(218,963)	(2,269,734)	(1)	(2,488,698)
FX position on-balance sheet	2,090	176,222	5,856	184,168
FX position off-balance sheet	-	(314,089)	(1,698)	(315,787)
FX position on and off-balance sheet	2,090	(137,867)	4,158	(131,619)

(*): The amounts exclude provisions

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

40. MARKET RISK (continued)

40.3. *Liquidity risk*

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its 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 balance sheet date to the point 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's 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 securities is calculated based on the maturity date of each kind of securities;
- ▶ 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 carrying value after deducting provision for bad debts;
- ▶ The maturity term of equity investments is considered as more than one year because these investments do not have specific maturity date;
- ▶ The maturity term of deposits and borrowings from other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Vostro account and demand deposits is 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; and
- ▶ The maturity term of fixed assets is determined on the remaining useful life of assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2009

40. MARKET RISK (continued)

40.3. Liquidity risk (continued)

	VNDm						Total
	Overdue		Before due date				
	Up to 3 months	Up to 3 months	Up to 3 months	Up to 3 months	Up to 3 months	Up to 3 months	
ASSETS							
Cash and cash equivalents on hand	-	-	139,081	-	-	-	139,081
Balances with the State Bank of Vietnam	-	-	920,132	-	-	-	920,132
Placements with and loans to other banks(*)	-	-	3,329,342	2,597,982	430,000	-	6,357,324
Trading securities (*)	-	-	16,500	-	-	-	16,500
Derivative financial instruments and other financial assets	-	-	3,663	-	-	-	3,663
Loans and advances to customers(*)	344,156	56,445	1,606,998	1,591,649	4,527,479	3,782,719	919,302
Investment securities (*)	-	-	-	-	1,718,418	3,108,033	50,000
Long-term investments (*)	-	-	-	-	-	-	269,799
Fixed assets and investment properties	-	-	17	5	182	42,428	810,995
Other assets (*)	14,400	-	1,045,298	91,110	83,780	38,889	69,007
Total assets	358,556	56,445	7,061,031	4,280,746	6,759,859	6,972,069	2,119,103
LIABILITIES							
Deposits of and loans from the SBV and other banks	-	-	(6,613,807)	(2,959,597)	(370,000)	-	-
Customers' deposits	-	-	(9,362,473)	(3,188,273)	(1,743,254)	(378,147)	-
Derivative financial instruments and other financial liabilities	-	-	-	-	-	-	-
Other borrowings	-	-	-	(2,973)	(3,149)	(25,762)	-
Valuable papers	-	-	-	-	-	-	-
Other liabilities	-	-	(267,620)	(75,643)	(56,529)	(4,925)	-
Total liabilities	-	-	(16,243,900)	(6,226,486)	(2,172,932)	(408,834)	-
Net liquidity difference	358,556	56,445	(9,182,869)	(1,945,740)	4,586,927	6,563,235	2,119,103

(*): The amounts exclude provisions

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. CAPITAL AND OPERATING LEASE COMMITMENTS

	31/12/2009 VNDm	31/12/2008 VNDm
Non-cancelable operating lease commitments	228,356	20,758
<i>In which:</i>		
- due within one year	7,648	1,242
- due from two to five years	219,807	18,500
- due after five years	901	1,016

42. EVENTS AFTER BALANCE SHEET DATE

There are no significant events occurring since the balance sheet date which require adjustments, notes and disclosures in financial statements.

43. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT YEAR END

	31/12/2009 VND	31/12/2008 VND
USD	18,479	17,486
EUR	27,122	25,066
GBP	30,288	25,552
CHF	18,184	(*)
JPY	204	197
SGD	13,382	(*)
AUD	16,981	12,621

(*): The Bank did not have outstanding balances denominated in these currencies as at 31 December 2008.

Prepared by

Approved by

Approved by

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Chief Accountant

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General Director

Hanoi, Vietnam

30 March 2010