Saigon – Hanoi Commercial Joint Stock Bank

Consolidated Financial Statements in accordance with the Vietnamese Accounting Standards and System for Credit Institutions

as at 31 December 2011 and for the year then ended

ERNST & YOUNG

Saigon – Hanoi Commercial Joint Stock Bank

CONTENTS

Saigon – Hanoi Commercial Joint Stock Bank

GENERAL INFORMATION

THE BANK

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

The Bank was initially established on 13 November 1993 as Nhon Ai Rural Commercial Joint Stock Bank under Decision No. 214/QD-NH5 and Business License No. 0041-NH/GP issued by the State Bank of Vietnam. The Bank was renamed as Saigon – Hanoi Commercial Joint Stock Bank under Decision 1764/QD-NHNN dated 11 September 2006 by the Governor of the State Bank of Vietnam. Since then, the Bank has operated under the Amended Business Licenses as follows:

Amended Business Licenses No.	*Date*
5703000085	26 December 2006
5703000085	28 December 2007
0103026080	29 July 2008
0103026080	25 August 2009
1800278630	20 October 2010
1800278630	17 May 2011

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 2011, the Bank has one (01) Head Office, one (01) subsidiary, twenty-two (22) branches nationwide, and one (01) branch in Cambodia, which is in the establishing process.

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2011 and as at the date of this report are as follows:

Name	***Position***	***Date of appointment***
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. Tran Thoai	Member	Appointed on 16 June 2008
Mr. Le Kien Thanh	Independent Member	Appointed on 10 August 2010
Mr. Phan Huy Chi	Member	Resigned on 16 December 2011

BOARD OF SUPERVISORY

Members of the Board of Supervisory during the year ended 31 December 2011 and as at the date of this report are as follows:

Name	*Position*	*Date of appointment*
Ms. Dam Ngoc Bich	Head of the Board of Supervisory	Appointed on 16 June 2008
Mr. Nguyen Huu Duc	Vice Head of the Board of Supervisory	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 ended 31 December 2011 and as at the date of this report are as follows:

Name	*Position*	*Date of appointment*
Mr. Nguyen Van Le	General Director	Reappointed on 21 May 2010
Mr. Dang Trung Dung	Deputy General Director	Appointed on 1 September 2006
Mr. Bui Tin Nghi	Deputy General Director	Appointed on 5 June 2007
Mr. Le Dang Khoa	Deputy General Director	Appointed on 10 April 2009
Mr. Pham Van Thang	Deputy General Director	Appointed on 1 November 2010
Ms. Ngo Thu Ha	Deputy General Director	Appointed on 15 March 2011
Ms. Ninh Thi Lan Phuong	Chief Accountant	Appointed on 27 July 2008

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2011 and as at the date of this report is Mr. Nguyen Van Le – General Director.

AUDITORS

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

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 this report and the consolidated financial statements of the Bank and its subsidiary for the fiscal year ended 31 December 2011.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 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 consolidated results and consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

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

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

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements for the year ended 31 December 2011.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiary as at 31 December 2011 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System for Credit Institutions and comply with other relevant regulations by the State Bank of Vietnam.

For and on behalf of the Board of Management:

M.S.D.N: 0100278630 C.T.C.P
NGÂN HÀNG
THƯƠNG MẠI CỔ PHẦN
SÀI GÒN - HÀ NỘI
HOÀN KIẾM - TP. HÀ NỘI

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

29 February 2012

ERNST & YOUNG

Ernst & Young Vietnam Limited
14th Floor, Daeha Business Center
360 Kim Ma Street, Ba Dinh District
Hanoi, S.R. of Vietnam
Tel : +84 4 3831 5100
Fax: +84 4 3831 5090
www.ey.com/vn

Reference: 60829147/15402588

INDEPENDENT AUDITORS' REPORT

To: Shareholders of
Saigon – Hanoi Commercial Joint Stock Bank

We have audited the consolidated financial statements of the Saigon – Hanoi Commercial Joint Stock Bank ("the Bank") and its subsidiary as set out on pages 5 to 72 which comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statement of cash flows for the year then ended and the notes thereto.

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

Basis of Opinion

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiary as at 31 December 2011, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System for Credit Institutions and comply with other relevant regulations stipulated by the State Bank of Vietnam.

CHI NHÁNH CÔNG TY ... VIỆT NAM

Ernst & Young Vietnam Limited

Ernst & Young Vietnam Ltd

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

Nguyen Chi Cuong
Auditor
Certificate No.1103/KTV

Hanoi, Vietnam

29 February 2012

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2011

B02/TCTD-HN

	Notes	31/12/2011 VNDm	31/12/2010 VNDm
ASSETS			
Cash and cash equivalents	**6**	**425,219**	**201,671**
Balances with the State Bank of Vietnam ("the SBV")	**7**	**35,112**	**505,232**
Placements with and loans to other banks	**8**	**18,845,175**	**11,636,741**
Placements with other banks	8.1	18,845,175	11,636,741
Loans to other banks		-	-
Provision for credit losses of placements with/loans to other banks		-	-
Trading securities	**9**	**17,804**	**98,829**
Trading securities		36,165	99,512
Provision for impairment of trading securities		(18,361)	(683)
Derivatives and other financial assets	**10**	**4,036**	**-**
Loans and advances to customers		**28,806,884**	**24,103,032**
Loans and advances to customers	11	29,161,851	24,375,588
Provision for credit losses	12.1	(354,967)	(272,556)
Investment securities	**13**	**15,097,394**	**8,767,942**
Available-for-sale securities	13.1	12,501,240	7,481,361
Held-to-maturity securities	13.2	2,610,840	1,300,000
Provision for impairment of investment securities		(14,686)	(13,419)
Long-term investments	**14**	**333,313**	**333,389**
Investments in subsidiary		-	-
Investments in joint ventures		-	-
Investments in associates		-	-
Other long-term investments		334,289	333,389
Provision for impairment of long-term investments		(976)	-
Fixed assets	**15**	**2,254,983**	**1,526,154**
Tangible fixed assets	*15.1*	*167,782*	*126,554*
Cost		252,784	176,765
Accumulated depreciation		(85,002)	(50,211)
Financial leases		-	-
Cost		-	-
Accumulated depreciation		-	-
Intangible assets	*15.2*	*2,087,201*	*1,399,600*
Cost		2,106,146	1,406,366
Accumulated amortization		(18,945)	(6,766)
Investment properties		-	**-**
Cost		-	-
Accumulated depreciation		-	-
Other assets	**16**	**5,169,622**	**3,859,871**
Receivables	16.1, 16.2	2,599,671	2,030,462
Interest and fee receivables		1,645,443	957,083
Deferred income tax assets		-	-
Other assets	16.3	924,615	872,326
In which: Goodwill		-	-
Provision for other assets		(107)	-
TOTAL ASSETS		**70,989,542**	**51,032,861**

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued) B02/TCTD-HN
as at 31 December 2011

	Notes	31/12/2011 VNDm	31/12/2010 VNDm
LIABILITIES			
Borrowings from the Government and the SBV	**17**	**2,184,954**	**903,716**
Deposits and borrowings from other banks	**18**	**15,909,083**	**13,271,539**
Deposits from other banks	18.1	15,909,083	13,271,539
Borrowings from other banks		-	-
Deposits and other amounts due to customers	**19**	**34,785,614**	**25,633,644**
Derivatives and other financial liabilities	**10**	**-**	**2,900**
Other borrowed funds	**20**	**226,386**	**380,398**
Valuable papers issued by the Bank	**21**	**11,205,240**	**5,745,356**
Other liabilities	**22**	**847,397**	**912,094**
Interest and fee payables		523,415	685,020
Deferred tax liabilities		-	-
Other payables	22.1	297,667	219,144
Provision for off-balance sheet commitments	12.2	26,315	7,930
TOTAL LIABILITIES		**65,158,674**	**46,849,647**
OWNERS' EQUITY			
Capital and Reserves	**24**	**5,830,868**	**4,183,214**
Capital		***4,908,535***	***3,590,259***
Chartered capital		4,815,795	3,497,519
Capital to purchase fixed assets		-	-
Share premium		98,000	98,000
Treasury shares		(5,260)	(5,260)
Preference shares		-	-
Convertible bonds		-	-
Others		-	-
Reserves		***278,109***	***169,291***
Foreign currency translation reserve		***9***	***-***
Asset revaluation reserve		***-***	***-***
Retained earnings		***644,215***	***423,664***
TOTAL OWNERS' EQUITY		**5,830,868**	**4,183,214**
TOTAL LIABILITIES AND OWNERS' EQUITY		**70,989,542**	**51,032,861**

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued) B02/TCTD-HN
as at 31 December 2011

OFF-BALANCE SHEET ITEMS

	Notes	31/12/2011 VNDm	31/12/2010 VNDm
Contingencies			
Credit guarantees		-	-
Letters of credit		538,228	587,664
Other guarantees		2,670,578	681,901
	39	**3,208,806**	**1,269,565**

Prepared by

Ms. Le Thi Nu
Accountant

Approved by

Ms. Ninh Thi Lan Phuong
Chief Accountant

Approved by

Mr. Nguyen Van Le
General Director

M.S.D.N: 1800278630 - NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN SÀI GÒN - HÀ NỘI - Q. HOÀN KIẾM - TP. HÀ NỘI

Hanoi, Vietnam

29 February 2012

The accompanying notes from 1 to 49 form part of these consolidated financial statements.

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2011 — B03/TCTD-HN

	Notes	2011 VNDm	2010 VNDm
Interest and similar income	27	7,781,058	3,736,848
Interest and similar expenses	28	(5,883,524)	(2,520,683)
Net interest and similar income		**1,897,534**	**1,216,165**
Fee and commission income		256,348	126,645
Fee and commission expenses		(37,900)	(20,181)
Net fee and commission income	**29**	**218,448**	**106,464**
Net gain/(loss) from foreign currency trading	**30**	**54,762**	**53,138**
Net gain/(loss) from trading securities	**31**	**(17,782)**	**9,527**
Net gain/(loss) from investment securities	**32**	**(9,289)**	**56,692**
Other operating income		77,039	52,029
Other operating expenses		(1,607)	(14,945)
Net gain/(loss) from other operating activities	**33**	**75,432**	**37,084**
Dividend income	**34**	**9,229**	**7,090**
TOTAL OPERATING INCOME		2,228,334	1,486,160
Employee expenses		(510,879)	(279,833)
Depreciation and amortization charges	15	(47,318)	(21,465)
Other operating expenses		(567,639)	(378,286)
TOTAL OPERATING EXPENSES	35	(1,125,836)	(679,584)
Profit from operating activities before provision for credit losses		**1,102,498**	**806,576**
Provision for credit losses	12	(172,183)	(221,475)
Provision reversal	12	70,647	71,632
PROFIT BEFORE TAX		**1,000,962**	**656,733**
Current enterprise income tax	23.1	(247,933)	(162,404)
Deferred enterprise income tax		-	-
Enterprise income tax ("EIT")		**(247,933)**	**(162,404)**
NET PROFIT FOR THE YEAR		**753,029**	**494,329**
Earnings per share (Vietnam dong)	**25**	**1,745**	**2,178**

Prepared by	Approved by	Approved by
Ms. Le Thi Nu Accountant	Ms. Ninh Thi Lan Phuong Chief Accountant	Mr. Nguyen Van Le General Director

M.S.D.N: 1800278630 - C.T.C.P
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN SÀI GÒN - HÀ NỘI
Q. HOÀN KIẾM - TP. HÀ NỘI

Hanoi, Vietnam

29 February 2012

The accompanying notes from 1 to 49 form part of these consolidated financial statements.

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2011 — B04/TCTD-HN

	Notes	2011 VNDm	2010 VNDm
OPERATING ACTIVITIES			
Interest and similar income proceeds		7,062,359	2,565,728
Interest and similar expense disbursements		(6,080,350)	(1,996,899)
Fees and commission income proceeds		218,448	106,464
Net gain/(loss) from foreign currency, securities trading		46,636	634,645
Other operating income proceeds		73,991	7,039
Proceeds from bad debts written-off		1,259	1,128
Employee and other administrative expenses disbursements		(1,076,649)	(658,796)
Enterprise income tax paid during the year	23.1	(259,257)	(116,853)
Net cash flows from operating profit before changes in operating assets and liabilities		**(13,563)**	**542,456**
Changes in operating assets			
(Increase)/decrease in due from banks		(2,536,440)	(1,846,575)
(Increase)/decrease in trading and investment securities		55,419	(3,983,578)
(Increase)/decrease in derivatives and other financial assets		(4,036)	3,663
(Increase)/decrease in loans and advances to customers		(4,832,581)	(11,546,840)
Decrease in provision for loan losses and provision for impairment of investment securities & long-term investments		(739)	(37)
(Increase)/decrease in other assets		(1,277,019)	(1,764,274)
Changes in operating liabilities			
Increase/(decrease) in borrowings from the Government and the SBV		1,281,238	903,716
Increase/(decrease) in due to banks		2,637,545	3,328,135
Increase/(decrease) in due to customers (including State Treasury)		9,151,969	10,961,498
Increase/(decrease) in valuable papers issued (except for long-term valuable papers issued disclosed in financing activities)		6,812,065	5,745,356
Increase/(decrease) in other borrowed funds		(154,012)	348,514
Increase/(decrease) in derivatives and other financial liabilities		(2,900)	2,900
Increase/(decrease) in other liabilities		289,311	96,880
Reserve utilization	24	-	-
Net cash flows from operating activities		**11,406,257**	**2,791,814**
INVESTING ACTIVITIES			
Purchase of fixed assets		(75,464)	(792,752)
Proceeds from sale of fixed assets		182	-
Disbursements for sale of fixed assets		-	-
Purchase of investment properties		-	-
Proceeds from sale of investment properties		-	-
Disbursements for sale of investment properties		-	-
Investments in joint ventures, associates and others		(16,900)	(63,590)
Proceeds from sales of investment in joint ventures, associates and others		-	-
Dividend receipts from long-term investments in the year		9,229	6,851
Net cash flows from investing activities		**(82,953)**	**(849,491)**

	Notes	2011 VNDm	2010 VNDm
FINANCING ACTIVITIES			
Increase in chartered capital	24	-	1,547,519
Proceeds from subordinated debts to increase tier 2 capital		-	-
Repayment of subordinated debts to reduce tier 2 capital		-	-
Dividend payment to shareholders		(611,883)	(409,006)
Purchase of treasury shares	24	-	(303)
Proceeds from sale of treasury shares		-	-
Net cash flows from financing activities		**(611,883)**	**1,138,210**
Net increase/(decrease) in cash and cash equivalents		**10,711,421**	**3,080,533**
Cash and cash equivalents at the beginning of the year		**9,502,070**	**6,421,537**
Foreign exchange difference		-	-
Cash and cash equivalents at the end of the year	**36**	**20,213,491**	**9,502,070**

Non-cash transactions:

In 2011, the Bank's chartered capital increased by VNDm 1,318,276, from VNDm 3,497,519 to VNDm 4,815,795 by transferring 13,182,764 convertible bonds which were issued on 10 April 2010 with face value of VND 100,000, one – year term and convertible rate of 1:10.

Prepared by	Approved by	Approved by
Ms. Le Thi Nu	Ms. Ninh Thi Lan Phuong	Mr. Nguyen Van Le
Accountant	Chief Accountant	General Director

M.S.D.N: 1800278630 - C.T.C.P
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN SÀI GÒN - HÀ NỘI
Q. HOÀN KIẾM - TP. HÀ NỘI

Hanoi, Vietnam

29 February 2012

The accompanying notes from 1 to 49 form part of these consolidated financial statements.

1. THE BANK

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

Establishment and Operations

The Bank was initially established on 13 November 1993 as Nhon Ai Rural Commercial Joint Stock Bank under Decision No. 214/QD-NH5 and Business License No. 0041-NH/GP by the State Bank of Vietnam. The Bank was renamed as Saigon – Hanoi Commercial Joint Stock Bank under Decision 1764/QD-NHNN dated 11 September 2006 by the Governor of the State Bank of Vietnam. Since then, the Bank has operated under the Amended Business Licenses as follows:

Amended Business Licenses No.	*Date*
5703000085	26 December 2006
5703000085	28 December 2007
0103026080	29 July 2008
0103026080	25 August 2009
1800278630	20 October 2010
1800278630	17 May 2011

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 financing 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 2011 was VNDm 4,815,795 (as at 31 December 2010: VNDm 3,497,519).

Board of Directors

Members of the Board of Directors during the year ended 31 December 2011 and as at the date of these consolidated financial statements are as follows:

Name	***Position***	***Date of appointment***
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. Tran Thoai	Member	Appointed on 16 June 2008
Mr. Le Kien Thanh	Independent Member	Appointed on 10 August 2010
Mr. Phan Huy Chi	Member	Resigned on 16 December 2011

1. **THE BANK** (continued)

Board of Supervisory

Members of the Board of Supervisory during the year ended 31 December 2011 and as at the date of these consolidated financial statements are as follows:

Name	***Position***	***Date of appointment***
Ms. Dam Ngoc Bich	Head of the Board of Supervisory	Appointed on 16 June 2008
Mr. Nguyen Huu Duc	Vice Head of the Board of Supervisory	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 ended 31 December 2011 and as at the date of these consolidated financial statements are as follows:

Name	***Position***	***Date of appointment***
Mr. Nguyen Van Le	General Director	Reappointed on 21 May 2010
Mr. Dang Trung Dung	Deputy General Director	Appointed on 1 September 2006
Mr. Bui Tin Nghi	Deputy General Director	Appointed on 5 June 2007
Mr. Le Dang Khoa	Deputy General Director	Appointed on 10 April 2009
Mr. Pham Van Thang	Deputy General Director	Appointed on 1 November 2010
Ms. Ngo Thu Ha	Deputy General Director	Appointed on 15 March 2011
Ms. 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 2011, the Bank has one (01) Head Office, one (01) subsidiary, twenty-two (22) branches, and one hundred and six (106) transaction offices nationwide and one (01) branch in Cambodia, which is in the establishing process.

Subsidiary

As at 31 December 2011, 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 52A/QD – HDQT of the Board of Directors of SHB dated 16 March 2009 and Decision 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 2011 was 2,840 persons (as at 31 December 2010: 2,022 persons).

2. FISCAL YEAR AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank and its subsidiary's fiscal year start on 1 January and end on 31 December.

2.2 Accounting currency

The Bank and its subsidiary maintain their accounting records in Vietnamese Dong (VND). However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnamese Dong (VNDm). This presentation does not impact the view of the readers on the Bank and its subsidiary's consolidated financial position, consolidated results of their operations and their cash flows. With regards to the number of shares, the Bank presented the item in unit as shown in the Notes 24.1 and 25.

3. BASIS OF THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Management confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards and System for Credit Institutions.

3.2 Accounting standards and system

The consolidated financial statements of the Bank and its subsidiary, 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, and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

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

3. BASIS OF PRESENTATION (continued)

3.3 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2011. For the purpose of consolidating, the subsidiary's financial statements are prepared for the same reporting year and under consistent accounting policies with the parent's.

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

Financial statements of the subsidiary, as presented in Note 1, are fully consolidated starting from the date the Bank had the control over the subsidiary. The control exists as the Bank has power to either directly or indirectly governs the subsidiary's operations or financial policies so as to obtain benefits from subsidiary's activities. The operating results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

3.4 *Use of estimates*

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

Going concern

The Board of Management of the Bank has assessed the ability to continue as a going concern of the Bank and its subsidiary and found that the Bank and its subsidiary have sufficient resources to continue their business operations in a certain future. In addition, the Board of Management does not notice any material uncertainties that may affect the ability to continue operations of the Bank and its subsidiary as a going concern. Therefore, the consolidated financial statements are prepared on the basis of the assumption of going concern.

3.5 *Changes in accounting policies and notes*

The Bank and its subsidiary have adopted the consistent accounting policies to prepare the consolidated financial statements with the ones used to prepare the consolidated financial statements for the year ended 31 December 2010, except for changes in accounting policies relating to the following matter:

Circular No. 210/2009/TT-BTC providing guidance for the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments in Vietnam

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments ("Circular 210") which is effective for fiscal years beginning on or after 1 January 2011.

The Bank and its subsidiary have adopted Circular 210 and presented new notes in accordance with requirements of this Circular in the consolidated financial statements.

3. BASIS OF PRESENTATION (continued)

3.5 *Changes in accounting policies and notes* (continued)

Circular 210 requires the Bank and its subsidiary to evaluate the terms of non-derivative financial instruments issued by the Bank and/or its subsidiary to determine whether the instruments contain both liability and equity components. Such components are classified separately as financial liabilities, financial assets or equity instruments on the consolidated balance sheet. As at 31 December 2011, this requirement has no impact on the financial position of the Bank and its subsidiary because the Bank and its subsidiary do not have any valid non-derivative financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 *Loans and advances to customers*

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

4.2 *Provision for credit losses*

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

Net loan and advance exposure for each borrower is calculated by subtracting from the loan balance the discounted value of collateral, which is subject to certain accepted discount rates in accordance with Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN.

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

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

Loans which are classified as *Substandard, Doubtful* or *Loss* are considered as bad debts.

According to Decision 493/2005/QD-NHNN, loan classification is made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each fiscal year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Provision for credit losses (continued)

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. Accordingly, the Bank is required to fully make and maintain a general provision of 0.75% of total loans and advances to customers, guarantees, payment acceptances, and unconditional irrevocable loan commitments with specific effective date, which are classified in group 1 to group 4.

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).

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

4.3 Trading securities

Trading securities are debt securities, equity securities and other securities that the Bank and its subsidiary 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 and continuously recorded at cost in the following accounting periods.

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

At the consolidated balance sheet date, trading securities are subject to review for impairment. Allowance for impairment is made when their carrying value is greater than their market value determined in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009. Impairment losses are recognized in the consolidated income statement as *"Net gain/(loss) from trading securities"*.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Investment securities

4.4.1 Available-for-sale securities

Available-for-sale securities include debt and equity securities which are not qualified to be classified as trading and held-to-maturity, and which the Bank and its subsidiary hold for an indefinite period till an opportunity for profit is given. The Bank and its subsidiary neither are founding shareholders, strategic shareholders, nor have 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 recognized at cost.

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

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

Available-for-sale securities are reviewed for impairment at the date of the consolidated balance sheet. Guidance on provision for impairment of available-for-sale debt securities has not been specified in current regulations by the State Bank of Vietnam and the Ministry of Finance. Provision for impairment of available-for-sale equity securities is made when their book values are greater than their market values.

Market values of listed equity securities are determined based on the average prices on Hanoi Stock Exchange and the closing prices on Ho Chi Minh City Stock Exchange as at 31 December 2011.

Market values of unlisted equity securities which have been registered in the Unlisted Public Companies market (UPCom) are the average prices of the market at the day of provision.

Market values of unlisted equity securities which have not been registered in the Unlisted Public Companies market (UPCom) are the average of public price quotations of at least three (03) reputed and large securities companies on the market. Others are recorded at cost.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 ***Investment securities*** (continued)

4.4.2 Held-to-maturity securities

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

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

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

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

4.5 ***Repurchase and reverse repurchase agreements***

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Investment securities (continued)

4.4.2 Held-to-maturity securities

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

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

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

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

4.5 Repurchase and reverse repurchase agreements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Other long-term investments

Equity securities are classified as other long term investments only when the Bank and its subsidiary hold less than 20% of voting rights and the Bank or its subsidiary is 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.

Long-term investments are always recognized at cost.

Other long-term investments are subject to review for impairment at the consolidated financial statement date. Provision is made when the business entities invested are operating at loss (unless losses were 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 investment is calculated as the difference between the actual contributed capital of the Bank and its subsidiary to the business entities and the existing chartered capital of the business entities times (x) the proportion of capital contributed by the Bank and its subsidiary to total capital contribution of parties in the business entities.

4.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Cost related to additions, improvements and renewals are 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.

4.8 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

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 amortization are removed from the consolidated balance sheet and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

4. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

4.9 Leasing

4.9.1 The Bank and its subsidiary as lessees

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

4.9.2 The Bank and its subsidiary as lessors

Operating lease assets are capitalized in lessor's consolidated balance sheet. Rental incomes are recorded in the consolidated income statement on a straight-line basis over the lease term without instinct to methods of rental payment. Expenses under operating leases, including depreciation of property, are reported as expenses of the relevant fiscal year.

4.10 Depreciation and amortization

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

Buildings and building improvements	25 years
Machines and equipment	5 years
Motor vehicles	8 - 10 years
Office equipment	3 - 5 years
Other tangible assets	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.

4.11 Recognition of income and expenses

Interest income and expenses are recognized in the consolidated income statement on the accrual basis using nominal interest rate. The recognition of accrued interest income is suspended when a loan is classified either from groups 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 by cash on equity investment is recognized in the consolidated income statement when the Bank and its subsidiary's right to receive the payment is established. Stock dividends and bonus shares received are not recognized as income of the Bank and its subsidiary, but only updated the quantity of shares.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Foreign currency transactions

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

According to the Accounting System for Enterprise, the Bank's subsidiary follows the Circular 201/2009/TT-BTC issued on 15 October 2009 by the Ministry of Finance providing guidance for the treatment of foreign exchange differences (the "Circular 201") in relation to foreign currency transactions as applied consistently since 2009. Accordingly, transactions in currencies other than the subsidiary's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates of interbank foreign exchange market at the consolidated balance sheet date. All realised and unrealised foreign exchange differences are taken to the consolidated income statement except the case that unrealised foreign exchange differences arising from the translation of short-term monetary assets and liabilities denominated in foreign currencies as at the consolidated balance sheet date are taken to the "*Foreign exchange differences reserve*" account in the equity section of the consolidated balance sheet and reversed in the following year.

4.13 Enterprise income taxes

Current enterprise income tax

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

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

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

The Bank and its subsidiary'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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 ***Enterprise income taxes*** (continued)

Deferred enterprise income tax

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

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

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

Deferred enterprise income tax assets are levied on deductable temporary differences. Deductable amounts carried over to subsequent years of taxable losses, and unutilized tax advantages when it is likely that the Bank and its subsidiary make earnings in foreseeable future to use deductable temporary differences, taxable losses and tax advantages, except:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash, gold, gemstones, current accounts with the SBV, treasury bills and other short term valuable papers that are qualified to be discounted at the SBV, amounts due from other banks and securities with an original maturity of no more than three months since the acquiring date.

4.15 Fiduciary assets

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

4.16 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 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; and make provision for them.

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 4.2. 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.

4.17 Other receivables

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 *Currency derivative contracts*

4.18.1 Foreign currency Forwards and Swaps

For foreign currency forward and swap contracts, the difference between equivalent VND amounts of foreign currency committed to buy/sell using forward exchange rate and spot exchange rate as at effective date of the contract is recognized immediately at the effective date of the contract in line "*Derivative instruments and other financial assets*" as an asset when it is positive, and in line "*Derivatives instruments and other financial liabilities*" as liabilities when it is negative. The difference is subsequently amortized into the consolidated income statements as "*Net gain/(loss) from foreign currency trading*" using straight-line method over the term of the contracts. As at the consolidated balance sheet date, commitments of foreign currency forward and swap contracts are re-measured using the official interbank exchange rates announced by the State Bank of Vietnam. Gain or loss from revaluation is recorded in "*Net gain/(loss) from foreign currency trading*".

4.18.2 Currency option contracts

Commitment amount for currency option contracts is not recognized on the consolidated balance sheet. The fee paid or received is recorded as receivables or payables from/to derivative transactions, and is amortized to incomes or expenses in the year using straight-line method over the maturity of the contracts. At the consolidated balance sheet date, unrealized gain or loss arising from selling/buying option contracts are determined based on market value, cost of the contract, sales volume and maturity of the contract, and recorded in the consolidated income statements in "*Net gain(/loss) from foreign currency trading*".

4.19 *Offsetting*

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

4.20 *Employee benefits*

4.20.1 Post employment benefits

Post employment benefits are paid to retired employees of the Bank and its subsidiary by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank and its subsidiary are required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 16.00% of an employee's basic salary on a monthly basis. The Bank and its subsidiary have no further obligation to fund the post employment benefits of their employees, other than the liability to pay Social Insurance Agency on a monthly basis.

The Bank'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 three (03) months of salary to these employees from their retrenchment allowance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Employee benefits (continued)

4.20.2 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. The allowance is equivalent to one-half month's salary for each year of employment plus salary allowances (if any) until 31 December. From 1 January 2009, the average monthly salary used to calculate the voluntary resignation benefits would be adjusted at the end of the reporting date based on the average of the salaries of the previous six consecutive months.

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's salary for each year of employment, but no less than two months' salary. Increase or decrease in the account balance of provision is accounted into business administration expenses in the period.

4.20.3 Unemployment Insurance

The Bank and its subsidiary have the obligation to contribute to the Unemployment Insurance Fund at the amount equal to 1.00% of their insured employees' salaries and remunerations and withhold the same amount from the insured employees' salaries and remunerations to contribute to the Unemployment Insurance Fund in accordance with Circular 04/2009/TT-BLDTBXH providing guidance on implementation of the Decree 127/2008/ND-CP, effective since 1 January 2009.