

INTERPRETATION ON FINANCIAL REPORT

ASSETS

Incombank total assets as of 31/12/2006 were VND 135,363 billion, increasing by 17% compared to 2005 and remains one among the biggest commercial banks in term of assets in the Vietnamese banking system.

In 2006, there were significant improvements in consideration of soundness and efficiency in asset structure. Total loans and investment reached VND 125,089 billion, increasing by 21% compared to 2005 and accounting for 92.4% of total asset. In which:

- Loans and advances to customers were VND 80,152 billion, increasing by 7.4% compared to 2005, making up 59.2% of total assets. In 2006, Incombank restructured its loans portfolio, scrutinized customers, disposed of customers with weak financial situation.
- Short term investment activities on the inter-bank market saw a stronger development than in 2005. Incombank enhanced wholesale banking services on the inter-bank money market and remained as a market maker. It is represented by an increase of 94.4% compared to the previous year, making up 15.9% of total assets.
- Investment in securities accounted for 12.08% of total assets, increasing by 1.1% compared to the previous year. Incombank paid more attention to investment in medium and long term valuable papers to restructure asset portfolio (increasing fixed income assets and reducing risks)
- Reserves and current accounts at SBV was VND 7,057 billion, equal to 5.6% of mobilized funds, accounting for 5.2% of total assets (*including cash, statutory reserves and current accounts*), decreasing by 2.7% compared to 2005 which proved that Incombank had been managing earning assets more closely and efficiently .

LIABILITIES

Total liabilities as at 31/12/2006 reached VND 129,756 billion, increasing by 17% compared to 2005 with a more effective and sustainable structure. Total mobilized funds were of VND 126,624 billion, increasing by 16.7% compared to 2005 and accounting for 97.6%/liabilities, including:

- Customers' deposits reached VND 99,683 billion which accounted for the majority of liabilities (76.8%), increasing by 18% as compared to the year 2005.
- Deposits and borrowings from other credit institutions was VND 26,568 billion, occupied 20.5% of liabilities and increased by 11% compared to 2005. These are deposits and borrowings from financial and credit institutions, previously only considered as current accounts, now together with the development of inter-bank money market, these deposits are also considered as investments.
- Borrowings from SBV represented borrowings to overcome flood consequence, loans to settle frozen debts, payment debts, to implement the project of bank modernization and payment system. This item accounted for only 0.3% in liabilities and showed a declining trend.
- Other payables held 0.9%/liabilities.

EQUITY

Incombank is a 100% state-owned commercial bank with its shareholders' equity coming from the capital assigned by the government (charter capital) and self-supplemented capital from retained earnings during business operation. The equity has been improved significantly. As at 31/12/2006, the equity reached VND 5,607 billion, increased by 607 billion compared to 2005. Thereby, capital adequacy ratio (CAR) is 5.18% (under Decision 457/2005/QD-NHNN dated 19/4/2005), 0.89% lower than 2005, due to the fact that in 2006 risk-weighted assets increased more quickly than capital. Increase of charter capital and equity during business operation has actively influenced on financial capacity improvement of Incombank during the recent years. It has been proven by some financial ratios: ROA increased year after year, i.e. it was 0.44% as of year-end 2006 compared to 0.27% as of year-end 2000. ROE was also improved, 31/12/2000 was 7.56% compared to 2006 was 10.7%.

Under guidelines from SBV, Incombank has made plan of supplementary charter capital and secured resources to implement equitization plans of Incombank. Thereby, Incombank shall be supplemented the charter capital to reach CAR of more than 8%, meeting equitization requirements at the end of 2007.

LIQUIDITY

Loans to deposits ratio as at 31/12/2006 was 80.4%, reflecting the fact that Incombank finance the economy mainly by funds mobilized from customers, which are stable source of deposits. Loans to total mobilized funds was also maintained constant at 63.3%

Liquid assets over total assets ratio reached 30.7%, which is higher than the level of 27% in 2005. Liquid assets are mainly securities high liquidity, easy to convert to cash or be utilized as collaterals if necessary. Liquid assets include valuable papers available for sale such as treasury bills, State bank bills, government bonds, short term deposits on the inter-bank market, cash and deposits at SBV. Therefore, it is affirmed that Incombank has maintained good level of liquidity.

In 2007, the project of centralized data management is completed, Incombank shall deploy software applications to make reports on liquidity (under Decision 457/2005/QD-NHNN). Thereby, Incombank shall improve management of liquidity and prevention of liquidity risk for the whole bank