

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For the fiscal year ended on December 31, 2006

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Bank, presented in millions of Vietnamese Dong (VNDm), are prepared in accordance with the Vietnamese Accounting Standards and System for Credit Institutions required under Decision No. 479/2004/QD-NHNN dated 29 April 2004 issued by the Governor of the State Bank of Vietnam (“SBV”) which was enacted from 1 January 2005; Decision No. 1145/QD dated 18 October 2002 issued by the Governor of the State Bank of Vietnam; and Vietnamese Accounting Standards (“VAS”) issued by the Ministry of Finance based on:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 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. The accompanying consolidated balance sheet and related consolidated statements of income, the related consolidated statement of retained earnings and the consolidated statement of cash flows and the notes to the consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam’s accounting principles, procedures and practice. Furthermore, these consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

New Vietnamese Accounting Standards

The Bank adopted the new Vietnamese Accounting Standards (“VAS”) issued by the Ministry of Finance that became effective during the current year:

- VAS 11- Business Combination;
- VAS 18- Provisions, Contingent Liabilities and Contingent Assets; and
- VAS 19- Insurance contract.

Adoption of the above new standards did not result in restatements of prior year balance.

Fiscal year

The Bank's fiscal year is from 1 January to 31 December.

CASH AND CASH EQUIVALENT ON HAND (Note 7)

	<i>2006</i>	<i>2005</i>
	<i>VNDm</i>	<i>VNDm</i>
Cash on hand in VND	909,425	763,044
Cash and cash equivalent on hand in foreign currencies ("FC")	527,178	414,016
Gold	-	71
	<u>1,436,603</u>	<u>1,177,131</u>
Included in cash and cash equivalents (see Note 32)		

BALANCES WITH THE STATE BANK OF VIETNAM (Note 8)

	<i>2006</i>	<i>2005</i>
	<i>VNDm</i>	<i>VNDm</i>
Balances with the State Bank of Vietnam in VND	4,700,224	7,349,782
Balances with the State Bank of Vietnam in FC	<u>920,088</u>	<u>670,733</u>
	<u>5,620,312</u>	<u>8,020,515</u>

Balances with the State Bank of Vietnam include settlement and compulsory deposits. From 2006, only compulsory deposits in VND and settlement deposits in foreign currencies earn interest at rates of 1.20% and 1.00% respectively.

Under 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 5.00% and 2.00% (2005: 5.00% and 2.00%) of customer deposits in VND having original maturities of less than 12 months and from 12 months to 24 months, respectively, and at 8.00% and 2.00% (2005: 8.00% and 2.00%) of customer deposits in foreign currencies having original maturities of less than 12 months and from 12 months to 24 months, respectively. Accordingly, total required average compulsory deposits (in both VND and foreign currencies) in December 2006 are VNDm 3,976,653 (in December 2005: VNDm 3,345,670).

During the year, the Bank has complied with the SBV's requirements regarding the calculation and maintenance of the compulsory deposits with the State Bank of Vietnam.

CURRENT ACCOUNTS WITH OTHERS BANKS (Note 9)

	2006 VNDm	2005 VNDm
Current accounts with overseas banks in FC	2,404,450	1,403,396
Current accounts with local banks in VND	1,407,864	1,215,553
Current accounts with local banks in FC	919,371	705,151
	<u>4,731,685</u>	<u>3,324,100</u>
Included in cash and cash equivalents (see Note 32)		

TRADING SECURITIES (Note 10)

	2006 VNDm	2005 VNDm
Government bonds	621,607	373,974
Listed shares	41,423	45,724
Unlisted shares	11,853	53,039
Others	192,510	-
	<u>867,393</u>	<u>472,737</u>

PLACEMENTS WITH AND LOANS TO OTHER BANKS (Note 11)

	2006 VNDm	2005 VNDm
<i>Placements and loans with term under one month</i>		
Term deposits with local banks denominated in VND	6,488,000	2,777,000
Term deposits with local banks denominated in FC	193,092	-
Term deposits with overseas banks in FC	458,594	1,746,250
	<u>7,139,686</u>	<u>4,523,250</u>
Included in cash and cash equivalents (see Note 32)		
Commercial loans to other local banks in VND	75,000	5,000
<i>Placements and loans with term over one month</i>		
Term deposits with local banks denominated in VND	8,446,000	5,259,272
Term deposits with local banks denominated in FC	-	75,036
Term deposits with overseas banks in FC	5,271,970	892,137
Commercial loans to other local banks in VND	565,000	305,700
	<u>14,282,970</u>	<u>6,532,145</u>
	<u>21,497,656</u>	<u>11,060,395</u>
	2006	2005
	<i>Interest rates</i>	<i>Interest rates</i>
	<i>% p.a</i>	<i>% p.a</i>
Term deposits with local banks denominated in VND	from 7.00 to 8.80	from 2.40 to 8.60
Term deposits with local banks denominated in FC	from 5.24 to 5.31	2.10
Term deposits with overseas banks in FC	from 5.23 to 5.31	from 2.10 to 4.38
Commercial loans to other local banks in VND	from 7.80 to 8.80	from 6.70 to 8.76

LOANS AND ADVANCES TO CUSTOMERS (Note 12)

	2006 VNDm	2005 VNDm
Receivables from finance leases	625,154	577,055
Commercial loans	78,573,483	73,072,973
State directed and state planning loans	63,212	66,543

Official Development Assistance (ODA) loans	638,126	555,025
Trusted loans	76,368	117,145
Frozen loans	175,991	243,530
	<u>80,152,334</u>	<u>74,632,271</u>
	2006	2005
	<i>Interest rates</i>	<i>Interest rates</i>
	% p.a	% p.a
Receivables from finance leases	at least 11.52	at least 11.52
Commercial loans denominated in VND	from 10.80 to 12.00	from 10.80 to 12.00
Commercial loans denominated in FC	from 6.00 to 8.00	from 5.50 to 6.70

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

	2006		2005	
	VNDm	%	VNDm	%
Construction	10,729,148	13	10,375,287	14
Electricity, energy and petroleum	7,891,486	10	6,334,207	8
Manufacturing and processing	15,117,773	19	19,598,786	26
Agriculture, forestry and aquaculture	4,067,697	5	6,568,796	9
Transportation	4,723,005	6	4,313,849	6
Trading, service	28,369,731	35	23,869,089	32
Others	9,253,494	12	3,572,257	5
	<u>80,152,334</u>	<u>100</u>	<u>74,632,271</u>	<u>100</u>

Analysis of loan portfolio by type of business entity:

	2006		2005	
	VNDm	%	VNDm	%
State Owned Enterprises	24,598,959	31	28,109,204	38
Limited Liability Company	39,551,556	49	35,174,955	46
Foreign Invested Enterprise	1,830,891	2	1,171,677	2
Individuals and others	14,170,928	18	10,176,435	14
	<u>80,152,334</u>	<u>100</u>	<u>74,632,271</u>	<u>100</u>

PROVISION FOR CREDIT LOSSES (Note 13)

Changes in the provisions for credit losses consist of the following:

	2006	2005
	VNDm	VNDm
Balance at 1 January	182,926	647,482
Specific provisions charged to expenses in the year	1,651,137	1,492,506
Additional provisions as a result of tax assessment	-	18,864
Bad debts written off from January to November	-	(667,647)
Others	(1,286)	(15,844)
Balance at 30 November	1,832,777	1,475,361
Bad debts written off in December	(1,771,592)	(1,292,435)
Balance at 31 December	<u>61,185</u>	<u>182,926</u>

Details of provision for credit losses and provision for off-balance-sheet items as at 31 December 2006 were as follow:

	<i>Specific provisions from Groups 1 to 4</i>	<i>General provisions for loan portfolio</i>	<i>General provisions for off-balance-sheet items</i>	<i>Total</i>
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
According to Decision 493	594,322	596,402	91,701	1,282,425
Recorded by the Bank	59,733	1,452	-	61,185
Amount under/(over) provided according to Decision 493	<u>534,589</u>	<u>594,950</u>	<u>91,701</u>	<u>1,221,240</u>

Breakdown of loan classification as at 31 December 2006 is as follows:

<i>Group</i>	<i>Loan Classification</i>	<i>Loan balance</i>
		<i>VNDm</i>
1	Current	74,975,100
2	Special mention	4,048,956
3	Substandard	344,125
4	Doubtful	151,978
5	Loss	632,175
		<u>80,152,334</u>

INVESTMENT IN SECURITIES (Note 14)

Investments in securities as at 31 December 2006 comprise of the followings:

	<i>2006</i>	<i>2005</i>
	<i>VNDm</i>	<i>VNDm</i>
Available for sale securities	12,212,858	9,369,413
Held-to-maturity securities	5,191,114	4,217,430
Impairment of held-to-maturity securities	<u>(9,923)</u>	<u>-</u>
	<u>17,394,049</u>	<u>13,586,843</u>

Available for sale securities

	<i>2006</i>		<i>2005</i>	
	<i>Cost</i>	<i>Carrying value</i>	<i>Cost</i>	<i>Carrying value</i>
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Debt Securities (14.1.1)	12,148,027	12,148,027	9,323,739	9,323,739
Equity investments (14.1.2)	64,831	64,831	45,674	45,674
	<u>12,212,858</u>	<u>12,212,858</u>	<u>9,369,413</u>	<u>9,369,413</u>

Details of available-for-sale debt securities as at 31 December are as follow:

	<i>2006</i>	<i>2005</i>
	<i>VNDm</i>	<i>VNDm</i>
Treasury bills	2,928,500	3,484,800
Government bonds in FC	80,455	79,375
Government bonds in VND	6,604,659	5,418,486
Municipal bonds issued by Hanoi People's Committee	239,545	229,725

Bonds issued by Vietnam Development Bank	900,000	-
Bonds issued by Vietnam Development Assistance Fund	60,000	-
Bonds issued by Electricity of Vietnam Corporation	1,270,895	-
Other available for sale securities	63,973	111,353
	<u>12,148,027</u>	<u>9,323,739</u>

Details of the Bank's equity investments as at 31 December are as follow:

	2006			2005		
	At cost VNDm	Carrying value VNDm	% of ownership by the Bank	At cost VNDm	Carrying value VNDm	% of ownership by the Bank
<i>Investments in financial institutions</i>						
Saigon Commercial Joint Stock Bank	39,772	39,772	5.77%	23,674	23,674	5.92%
Central People's Credit Fund	5,000	5,000	4.47%	5,000	5,000	4.48%
Gia Dinh Commercial J,S Bank	5,059	5,059	2.41%	2,000	2,000	2.50%
<i>Investments in other entities</i>						
Vietnam National Finance Switching Joint Stock Company	15,000	15,000	15.87%	15,000	15,000	15.87%
	<u>64,831</u>	<u>64,831</u>		<u>45,674</u>	<u>45,674</u>	

Equity investments in other entities (below 20%) are classified as available-for-sale investments and are recognized at cost less provision for impairment (if any). Any changes in the market value of the investment are not recognized until the date of disposal only.

The Bank's management assesses that there is no indication of the impairment of those equity investments and the market value of the investments at the balance sheet date is much higher than their original costs.

Held-to-maturity securities

Details of held-to-maturity investments as at 31 December are as follows:

	2006 VNDm	2005 VNDm
Treasury bonds	20,440	18,640
Education Government bonds	770,879	728,078
Special Government bonds	2,200,000	2,200,000
Bonds issued by Bank for Agriculture and Rural Development of Vietnam (VABRD)	450,000	250,000
Certificates of deposit issued by other financial institutions	357,000	275,000
Bonds issued by Petrovietnam Finance Company	237,352	207,352
Irrigation Bonds	38,360	38,360
Bills issued by Housing Bank of Mekong Delta (MHB)	100,000	100,000
Municipal bonds issued by the Ho Chi Minh City People's Committee	1,017,083	400,000
	<u>5,191,114</u>	<u>4,217,430</u>

- *Treasury bonds* have maturity of from 2 years to 5 years and bear interest at rates from 8.40% to 8.60% p.a (2005: from 8.00% to 8.60% p.a). Interest is payable annually.

- *Education Government Bonds* were issued in 2 issuances: the first issuance was in 2003, bears interest at the rate of 8.00% p.a. and matures in 2008. The second issuance was in 2005, bears interest at a rate of 8.20% p.a. and matures in 2010. Interest income on Education Government Bonds will be paid once at maturity;

Interest income received from the Special Government Bonds is restricted to be used to increase the chartered capital in accordance with Circular 100/2002/TT-BTC dated 4 November 2002 by the Ministry of Finance. During the year, the Bank received VNDm 72,000 of interests from the Bonds and used it to increase chartered capital.

Details of the Special Government Bonds are as follows:

	<i>Date of issue</i>	<i>Mature date</i>	<i>Interest rates</i>	<i>Costs VNDm</i>
First issue	20-09-2002	20-09-2022	3.30%	1,000,000
Second issue	04-06-2003	04-06-2023	3.30%	400,000
Third issue	18-11-2003	18-11-2023	3.30%	400,000
Fourth issue	21-12-2004	21-12-2024	3.30%	400,000
				2,200,000

INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT-VENTURES (*Note 15*)

Movement of the investments in joint ventures under equity method accounting principal is as follows

	<i>2006 VNDm</i>	<i>2005 VNDm</i>
As at 1 January	329,137	314,741
Increase of holding in the year	80,505	2,636
Net share of profit under equity method of accounting	61,601	38,213
Adjustment due to the change in capital structure	-	531
Adjustment due to the restatement of the beginning balance	-	14
Less: Dividends received in the year	(29,569)	(23,711)
Adjustment due to foreign exchange differences	-	4,166
Adjustment due to the translation of financial statements	3,706	(7,453)
As at 31 December	445,380	329,137

Details of investments in joint ventures in accordance with cost method at 31 December were as follows:

	2006			2005		
	<i>Cost in original currency in US\$</i>	<i>Cost in VNDm equiv, (at exchange rate on the balance sheet date)</i>	<i>% owned by the Bank</i>	<i>Cost in original currency in US\$</i>	<i>Cost in VNDm equiv, (at exchange rate on the balance sheet date)</i>	<i>% owned by the Bank</i>
Investment in financial institutions						
Indovina Bank	17,500,000	281,593	50.00	12,500,000	198,438	50.00
Vietnam International Leasing Co.,	1,117,500	17,982	22.35	1,117,500	17,740	22.35
Asia Incombank Insurance Co.,	3,000,000	48,273	50.00	3,000,000	47,625	50.00
		<u>347,848</u>			<u>263,803</u>	

FIXED ASSETS

TANGIBLE FIXED ASSETS (Note 16.1)

Tangible fixed asset are classified as follow:

	<i>Buildings & building improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Others</i>	<i>Total</i>
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Cost					
At 31 December 2005	565,253	843,630	248,845	115,596	1,773,324
Additions	24,604	210,997	14,011	9,128	258,740
<i>In which:</i>					
<i>Newly purchased</i>	2,553	31,485	877	4,896	39,811
<i>Newly constructed</i>	16,511	-	-	-	16,511
<i>Others</i>	5,540	179,512	13,134	4,232	202,418
Decrease in the year	(3,951)	(49,908)	(17,360)	(2,046)	(73,265)
<i>In which:</i>					
<i>Disposed</i>	(1,819)	(31,756)	(11,000)	(1,405)	(45,980)
<i>Others</i>	(2,132)	(18,152)	(6,360)	(641)	(27,285)
At 31 December 2006	585,906	1,004,719	245,496	122,678	1,958,799
<i>In which:</i>					
<i>Unused</i>	-	-	-	-	-
<i>Fully depreciated</i>	-	-	-	-	-
<i>Waiting to be disposed</i>	-	-	-	-	-
Accumulated depreciation					
At 31 December 2005	193,136	369,379	141,118	68,039	771,672
Charge for the year	23,634	190,941	30,828	18,464	263,867
Decrease in the year	(2,855)	(22,954)	(8,402)	(1,067)	(35,278)
At 31 December 2006	213,915	537,366	163,544	85,436	1,000,261
Net book value					
At 31 December 2005	<u>372,117</u>	<u>474,251</u>	<u>107,727</u>	<u>47,557</u>	<u>1,001,652</u>
At 31 December 2006	<u>371,991</u>	<u>467,353</u>	<u>81,952</u>	<u>37,242</u>	<u>958,538</u>

INTANGIBLE FIXED ASSETS (Note 16.2)

Intangible assets are classified as follow:

	<i>Land use rights VNDm</i>	<i>Accounting software VNDm</i>	<i>Other assets VNDm</i>	<i>Total VNDm</i>
Cost				
At 31 December 2005	110,207	47,181	1,015	158,403
Additions	40,967	-	130	41,097
Adjustment	-	-	(201)	(201)
At 31 December 2006	151,174	47,181	944	199,299
Accumulated amortization				
At 31 December 2005	5,762	21,953	320	28,035
Charge for the year	-	11,168	198	11,366
Disposals	-	-	-	-
At 31 December 2006	5,762	33,121	518	39,401
Net book value				
At 31 December 2005	104,445	25,228	695	130,368
At 31 December 2006	145,412	14,060	426	159,898

CONSTRUCTION IN PROGRESS (Note 17)

In the total amount of construction in progress of VNDm 207,671 as at 31 December 2006, VNDm 30,692 was made for site clearance in relation to the preparation for construction of the intended Bank's Head Office building at 10 Le Lai, Hanoi. The construction of this building, however, was not approved by the Hanoi People's Committee. Included VNDm 30,692 were VNDm 30,150 being the total costs paid to the State Bank of Vietnam ("the SBV") for site clearance. According to the Official Letter No. 1091/CV-KTTC2 of the SBV issued on 2 October 1998 and other sources of evidence, it is unlikely that the SBV will repay this amount to the Bank. The Bank is waiting for further feedback from relevant authorities, including tax authorities, about the resolution for this amount.

OTHER ASSETS (Note 18)

	<i>2006 VNDm</i>	<i>2005 VNDm</i>
Foreclosed assets	-	407,434
Receivable relating to securities activities	142,141	109,089
Investments in financial leasing assets	69,632	77,298
Receivable related to assets management activities	59,060	-
Receivable from ABN-AMRO – Hanoi Branch	73,553	38,434
Other materials	17,181	-
Deffered expenses	28,215	-
Other assets	282,980	281,235
	<u>672,762</u>	<u>913,490</u>

CURRENT ACCOUNTS OF THE STATE TREASURY AND OTHER BANKS (Note 19)

<i>2006</i>	<i>2005</i>
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	VNDm	VNDm
<i>Current accounts held by:</i>		
State treasury in VND	118,465	504,623
Local banks in VND	157,538	318,240
Local banks in FC	79,222	1,600,657
Foreign banks in VND	32	3,045
	<u>355,257</u>	<u>2,426,565</u>
	2006	2005
	rate	rate
	%/p.a.	%/p.a.
Current account held by State Treasury denominated in VND	1.20	1.20
Current account held by local banks denominated in VND	1.20	1.20
Current account held by local banks denominated in FC	from 1.20 to 1.50	from 1.20 to 1.50

TERM DEPOSITS AND BORROWINGS FROM THE STATE BANK OF VIETNAM (Note 20)

	2006	2005
	VNDm	VNDm
Borrowings from the State Bank of Vietnam		
- Borrowings for support of frozen loans to SOEs in VND	-	47,922
- Special borrowings to support victims of natural disasters	53,928	53,928
- Borrowings for re-lending to settle debts of SOEs	57,697	84,260
- Borrowings in FC for Modernization of the Bank and Payment System Project	72,567	79,129
- Commercial loans from the SBV in VND	188,706	-
	<u>372,898</u>	<u>265,239</u>

Special borrowings are loans funded from the SBV in order to assist victims of storms and floods in 1997 and 1999 are in accordance with the instructions of the Government. These loans bear interest at rates from 0.00% p.a to 2.40% p.a;

- *Borrowings for re-lending to settle debts of SOEs represent amounts received from the SBV to re-lend to SOEs for settlement of debts between SOEs in accordance with the program for general debt settlement amongst SOEs by the Government. These borrowings bear interests at a rate of 2.40% p.a. The Bank has not accrued any interest expense relating to these borrowings as of 31 December 2006;*
- *Borrowings in FC for the Modernization of the Bank and Payment System Project represent borrowings from the SBV to pay for the supplier of the Bank's IT System. These borrowings have duration of 20 years and bear interest at rate from 2.86% p.a to 3.89% p.a (calculated at LIBOR 6 months plus 1.50% p.a (margin) plus 0.20% p.a (service fee)).*

TERM DEPOSITS AND BORROWINGS FROM OTHER BANKS (Note 21)

2006	2005
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	VNDm	VNDm
Term deposits from local banks in VND	3,522,989	2,193,071
Term deposits from local banks in FC	1,053,961	57,036
Borrowings from local banks in VND	110,000	80,000
	<u>4,686,950</u>	<u>2,330,107</u>
	2006	2005
	<i>Interest rates</i>	<i>Interest rates</i>
	% p.a.	% p.a.
Term deposits from local banks in VND	from 1.20 to 4.20	from 1.20 to 4.20
Term deposits from local banks in FC	from 0.10 to 1.25	from 0.10 to 3.00
Borrowings from local banks in VND	from 8.40 to 8.60	from 8.40 to 8.60

OTHER BORROWED FUNDS (Note 22)

	2006 VNDm	2005 VNDm
Funds received from State Treasury	12,283,959	13,540,253
Funds received from Social Insurance of Vietnam	5,935,000	5,080,000
Funds from Official Development Assistance programs	638,126	555,025
Funds received from Vietnam Deposit Insurance	84,500	-
Funds from ECIP	399	1,413
Funds from Coporate Finance Department	1,800,000	-
Others	783,695	20,000
	<u>21,525,679</u>	<u>19,196,691</u>

Details of funds from Official Development Assistance programs:

	Value date	Duration (years)	Grace period (years)	2006 VNDm	Interest rate p.a. (%)	2005 VNDm	Interest rate p.a. (%)
<i>Official Development Assistance Programs from overseas governments/organizations</i>							
- Germany (Deutsche Investitions – und Entwicklungsgesellschaft mbH (“DEG”))	2003	40	10	246,078	0.75	223,775	0.75
- Germany (Kreditanstalt Fur Wiederaufbau - “KFW”)	2001	40	10	147,208	0.75	147,208	0.75
- Japan (Japan Bank for International Cooperation – “JBIC”)	1999	<10	1 – 2	164,991	(*)	158,276	(*)
- European Committee (SMEDF)	1998	1 – 7	1	75,021	6.28	25,766	6.28
- UN development Programme (UNDP)	2006	5	N/A	4,828	(**)	-	-
				<u>638,126</u>		<u>555,025</u>	

(*): *monthly interest rate = monthly interest rate announced by the SBV less 0.43% to 0.45% p.m.*

(**): *information is not available*

Funds received from ECIP, a program established by EC with initial amount of US\$ 6,500,000 is used for purpose of assisting Vietnamese returnees from European countries. The Bank receives fees and training services and does not bear any risks relating to the utilization of the fund.

CUSTOMER DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS (Note 23)

2006

2005

	<i>VNDm</i>	<i>VNDm</i>
<i>Demand deposits</i>		
Demand deposits in VND	21,794,927	25,790,466
Demand saving deposits in VND	205,161	303,145
Demand deposits in FC	2,298,478	1,703,518
Demand saving deposits in FC	43,186	108,366
<i>Term deposits</i>		
Term deposits in VND	19,599,905	10,758,331
Term saving deposit in VND	31,966,928	27,189,171
Term deposits in FC	1,211,953	419,122
Term saving deposits in FC	12,379,546	11,769,153
<i>Certificates of deposits</i>		
Term certificates of deposits in VND	4,714,901	4,378,395
Term certificates of deposits in FC	3,463,473	679,465
<i>Margin deposits</i>		
Margin deposit in VND	832,826	475,004
Margin deposits in FC	561,145	433,847
<i>Money transfer payable</i>		
Money transfer payable in VND	160,388	60,118
Money transfer payable in FC	16,805	19,037
<i>Other payable to customers</i>	<u>433,786</u>	<u>299,875</u>
	<u>99,683,408</u>	<u>84,387,013</u>
	<i>2006</i>	<i>2005</i>
	<i>Interest</i>	<i>Interest</i>
	<i>%/p.a.</i>	<i>%/p.a.</i>
Demand deposits in VND	from 2.40 to 3.60	from 2.40 to 3.00
Demand saving deposits in VND	from 2.40 to 3.60	from 2.40 to 3.00
Demand deposits in FC	from 0.10 to 1.30	from 0.10 to 1.25
Demand saving deposits in FC	from 1.25 to 1.30	from 1.23 to 1.25
Term deposits in VND	from 2.00 to 9.45	from 2.00 to 9.32
Term saving deposit in VND	from 4.20 to 9.45	from 4.20 to 9.32
Term deposits in FC	from 0.50 to 5.40	from 0.50 to 4.80
Term saving deposits in FC	from 3.30 to 6.00	from 3.25 to 4.80
Certificates of deposits in VND	from 8.44 to 9.00	from 8.16 to 8.63
Certificates of deposits in FC	from 4.52 to 5.50	3.91

OTHER LIABILITIES (Note 24)

	<i>2006</i>	<i>2005</i>
	<i>VNDm</i>	<i>VNDm</i>
Payable to employees	474,440	301,168
Payable to suppliers related security transactions	134,840	-
Deferred revenue of financial instruments	82,743	162,042
Pending net interest income arising from funds provided by the SBV to support the restructuring of loans to SOEs	66,180	66,180
Payable to the SBV from recovery of written-off loans	25,193	25,193
Provision for termination allowance	13,229	17,153
Payables to suppliers	27,329	21,091
VAT payable	7,173	4,175
Others	<u>333,143</u>	<u>322,764</u>

1,164,270 919,766

CAPITAL ACCOUNTS (Note 25)

Total capital of the Bank represents capital contributions received by the Bank from the Government of the Socialist Republic of Vietnam and the State Bank of Vietnam in cash, Special Government Bonds and other assets. The Bank's capital also increased by transferring from supplementary capital and other reserves, which are normally created from the operating profits of the Bank in accordance with the regulations of the State Bank of Vietnam, and from interest income on Special Government Bonds.

Total capital of the Bank as of 31 December 2005 and 2006 was as follows:

	<i>Chartered capital VNDm</i>	<i>Capital to purchase fixed assets VNDm</i>	<i>Others VNDm</i>	<i>Total VNDm</i>
Balance as at 31 December 2004	3,432,888	300,463	66,472	3,799,823
Capital increase in the year	-	36	-	36
Capital increase from interest on Special Government bonds received in the year	72,600	-	-	72,600
Adjustment in the year	-	(8,257)	-	(8,257)
Balance as at 31 December 2005	<u>3,505,488</u>	<u>292,242</u>	<u>66,472</u>	<u>3,864,202</u>
Capital increase from bad debt recovery in accordance with Finance Ministry's decision 3597/QĐ-BTC	37,955	-	-	37,955
Capital increase in the year	-	58	-	58
Capital increase from interest on Special Government bonds received in the year	72,600	-	-	72,600
Utilization in the year	-	(293)	-	(293)
Balance as at 31 December 2006	<u>3,616,043</u>	<u>292,007</u>	<u>66,472</u>	<u>3,974,522</u>

RESERVES (Note 26)

Statutory reserves

	<i>Financial risk reserves</i>	<i>Supplementary capital reserves</i>	<i>Business & development fund</i>	<i>Bonus and welfare funds</i>	<i>Total</i>
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
As at 31 December 2004	136,103	42,671	421,050	118,477	718,301
Create reserves for the Bank from current year's profit	28,545	15,023	142,723	114,178	300,469
Create reserves for security company and other subsidiaries from current year's profit	1,646	1,170	8,144	1,713	12,673
Create joint ventures' reserves for joint venture for the current year and prior year	19,194	9,887	-	-	29,081
Adjustments in the year	(1,277)	(251)	(7,599)	15,768	6,641
Utilization in the year	36	-	-	7,062	7,098
Other increase in the year	(208)	-	-	(42,791)	(42,999)
As at 31 December 2005	184,039	68,500	564,318	214,407	1,031,264
Temporarily create reserves for the Bank from current year's profit	49,259	25,926	246,293	197,033	518,511
Temporarily create reserves for security company and other subsidiaries from current year's profit	2,660	2,244	6,668	1,241	12,813
Temporarily create reserves for joint ventures for the current year	5,824	2,998	337	56	9,215
Utilization in the year	(218)	-	-	(92,142)	(92,360)
As at 31 December 2006	241,564	99,668	817,616	320,595	1,479,443

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

	<i>Annual allocation from net profit after tax</i>	<i>Maximum balance</i>
Supplementary capital reserves	5% of the profit after tax	Chartered capital

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

Financial reserves	10% of remaining profit, after deducting contribution to supplementary capital reserve	25% chartered capital
Business development fund	50% of remaining profit, after deducting contribution to supplementary capital reserves	Not applicable
Bonus and Welfare funds	Maximum of 3 months salary if current	Not

	year's profit margin is not lower than previous year's and maximum of 2 months salary if current year's profit margin is lower than previous year's	applicable
Business development reserve	Remaining profit	Not applicable

INTEREST AND SIMILAR INCOME *(Note 27)*

	<i>2006</i> <i>VNDm</i>	<i>2005</i> <i>VNDm</i>
Interest income from lending to customers	7,595,482	6,774,332
Interest income from deposits to other financial institutions	1,282,987	495,380
Interest income from financial leasing	79,316	62,959
Interest income from other credit activities	42,853	29,659
Interest income from investment securities	1,127,500	717,452
	<u>10,128,138</u>	<u>8,079,782</u>

INTEREST AND SIMILAR EXPENSE *(Note 28)*

	<i>2006</i> <i>VNDm</i>	<i>2005</i> <i>VNDm</i>
Interest expense from customer deposits	6,093,298	4,355,030
Interest expense from borrowings and deposits from other banks	477,862	438,101
	<u>6,571,160</u>	<u>4,793,131</u>

NET FEES AND COMMISSION INCOME *(Note 29)*

	<i>2006</i> <i>VNDm</i>	<i>2005</i> <i>VNDm</i>
Fees and commission income from:		
Settlement services	153,841	165,275
Treasury activities	43,673	28,882
Agent services	2,492	1,232
Other fees and commission	149,441	69,443
	<u>349,447</u>	<u>264,832</u>
Fees and commission expense from:		
Settlement services	(14,715)	(13,569)
Treasury activities	(26,492)	(19,334)
Other direct fees and commission expenses	(35,556)	(25,351)
	<u>(76,763)</u>	<u>(58,254)</u>
Net fees and commission income	<u>272,684</u>	<u>206,578</u>

OTHER OPERATING EXPENSES (Note 30)

	2006 VNDm	2005 VNDm
Taxes and fees expenses	25,244	19,764
Material and printing expense	65,079	54,030
Business trip expenses	37,959	35,929
Training and education expenses	28,065	25,802
Research and development expenses (*)	61,558	85,324
Telecommunication expenses	27,166	26,252
Publication, marketing and promotion expenses	53,583	41,559
General and administration expenses	221,431	228,893
Repair and maintenance expenses	80,087	58,186
Tools and equipment expenses	55,214	46,110
Insurance for assets of the Bank	4,638	3,769
Office rental	33,263	20,528
Insurance for customer deposits	53,724	50,232
Other expense	11,029	12,312
	<u>758,040</u>	<u>708,690</u>

(*): As part of the Bank's Modernization Project, a new integrated and centralized information technology system - INCAS was implemented in the end of 2003 to replace the previous MISAC system, The new system was deployed at many branches and all expenses related to installation totaling VNDm 43,371 (2005: VNDm 45,250) were charged to research and development expenses rather than being capitalized in intangible assets.

TAXATION (Note 31)

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

	2006 VNDm	2005 VNDm
Current income tax expense	178,129	102,091
Deferred income tax	-	-
Income tax expense	<u>178,129</u>	<u>102,091</u>

For the income tax of the years 2005 and 2006, the Bank implements the self-assessment and declaration of income tax as regulated by Circular No 128/2004/TTBC dated 27 December 2004.

CASH AND CASH EQUIVALENTS (Note 32)

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

	2006 VNDm	2005 VNDm
Cash and cash equivalents on hand	1,436,603	1,177,131
Settlement deposits with SBV	1,643,659	4,674,845
Current accounts with other banks	4,731,685	3,324,100
Placements with and loans to banks due within one month	<u>7,139,686</u>	<u>4,523,250</u>
	<u>14,951,633</u>	<u>13,699,326</u>

OFF-BALANCE SHEET ITEMS (Note 33)

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

	2006 VNDm	2005 VNDm
Guarantees:		
Financial guarantees	3,467,910	2,576,845
At sight letters of credit	7,363,552	3,285,605
Deferred payment letter of credit	<u>1,534,065</u>	<u>1,519,530</u>
	<u>12,365,527</u>	<u>7,381,980</u>

Included in VNDm 12,365,527 is VNDm 138,670 (2005: VNDm 101,958) being the value of guarantees and letter of credits which have expired but were still recorded on Off-balance sheet account.

OPERATING LEASE COMMITMENTS (Note 34)

	2006 VNDm	2005 VNDm
Capital commitments in respect of premises and equipment purchases	498,725	612,824
Commitments in respect of non-cancelable operating leases		
<i>Of which:</i> - due within one year	9,902	4,625
- due from two to five years	16,820	9,121
- due in over five years	<u>13,495</u>	<u>9,497</u>
	<u>40,217</u>	<u>23,243</u>

SUBSEQUENT EVENTS

Promulgating Decision 1729/QD-TTg dated on 29 December 2006 on the approval for State-owned Corporations to be equitized during the period from 2007 to 2010, Steering Board of Enterprise Reformation and Development under Government Office issued the Official Letter No.09/BDMDN to approve for the equitization schedule as proposed by the Bank. Accordingly, the equitization of the Bank will commence in January 2007 and the entire process including Shareholders' General Meeting and Initial Public Offering will be completed in February 2008.

In pursuance to the Decision No.1060/QD-BTC dated 15 March 2007 on the supplementary capital to state-owned commercial banks, the Bank is granted an additional chartered capital of VNDm 3,920,000. However, as at the date of the report, the Bank has not yet received this additional capital.