

INDOVINA BANK LIMITED

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Indovina Bank Limited (“the Bank”) presents this report together with the Bank’s financial statements for the year ended 31 December 2011.

THE BOARDS OF DIRECTORS AND MANAGEMENT

The members of the Boards of Directors and Management of the Bank who held office during the year and at the date of this report are as follows:

Board of Directors

Mr. Roger M. H. Lee	Chairman
Mr. Pham Huy Hung	Vice Chairman
Mr. Chen Tsu Pei	Member
Mr. Nguyen Van Du	Member
Mr. Yei-Fong Jan	Member
Mr. Le Van Phu	Member

Board of Management

Mr. Yei-Fong Jan	General Director
Mr. Le Van Phu	First Deputy General Director
Mr. Chan Kun Lu	Second Deputy General Director

THE BOARD OF MANAGEMENT’S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the financial statements of each year, which give a true and fair view of the financial position of the Bank and of its results and cash flows for the year. In preparing these financial statements, the Board of 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 principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing the financial statements so as to minimize errors and frauds.

The Board of Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the financial statements comply with Vietnamese Accounting Standards and Vietnamese Accounting System and prevailing relevant regulations applicable to credit institutions in Vietnam. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that the Bank has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Management,



Yei-Fong Jan
General Director
07 March 2012

Le Van Phu
First Deputy General Director

BALANCE SHEET
31 December 2011

No. 896/2012/Deloitte-AUDHCM-RE

AUDITORS' REPORT

To: **The Boards of Directors and Management of Indovina Bank Limited**

We have audited the accompanying balance sheet of Indovina Bank Limited ("the Bank") as at 31 December 2011, the related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements"), as set out from page 3 to page 27. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Management and Auditors

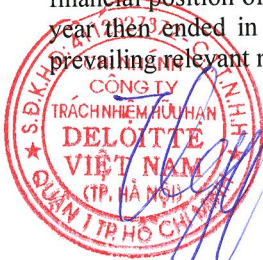
As stated in the Statement of the Board of Management on page 1, these financial statements are the responsibility of the Bank's Board of Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Bank as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations applicable to credit institutions in Vietnam.



Le Chi Nguyen
Audit Partner
CPA Certificate No D.0049/KTV
For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED
07 March 2012
Ho Chi Minh City, S.R. Vietnam

Nguyen Minh Thao
Auditor
CPA Certificate No. N1902/KTV



BALANCE SHEET
 As at 31 December 2011

FORM B 02/TCTD

	Notes	31/12/2011 USD	31/12/2010 USD
<u>Assets</u>			
Cash on hand and valuable documents	4	8,759,393	7,833,234
Deposits with the State Bank of Vietnam	5	27,622,544	24,481,831
Deposits with other credit institutions	6	442,068,736	277,630,738
Trading securities	7	4,498,348	5,214,462
Loans to customers	8	588,749,815	705,557,193
<i>Loan balances</i>		598,102,205	711,463,026
<i>Less provision for loan losses</i>		(9,352,390)	(5,905,833)
Investment securities		55,711,676	49,615,466
<i>Available-for-sale securities</i>	9	17,061,782	10,264,103
<i>Held -to-maturity securities</i>	10	38,649,894	39,351,363
Tangible fixed assets	11	4,711,449	5,374,345
Intangible assets	12	12,523,880	12,667,933
Other assets		14,494,625	15,453,416
<i>Construction in progress</i>	13	2,812,470	774,729
<i>Other receivables and prepayments</i>	14	1,835,999	9,052,466
<i>Accrued interest receivable</i>		9,846,156	5,626,221
Total assets		<u>1,159,140,466</u>	<u>1,103,828,618</u>
<u>Resources</u>			
Deposits from other credit institutions	15	1,629,123	401,725
Borrowings from other credit institutions	16	348,545,360	248,886,541
Deposits from customers	17	482,880,394	546,504,933
Certificates of deposits and bonds	18	96,024,582	105,642,269
Other liabilities		20,917,574	13,435,675
<i>Accrued interest payable</i>		16,019,674	7,152,178
<i>Other payables</i>	19	4,399,990	5,356,276
<i>Other provision</i>	20	497,910	927,221
Equity and reserves		209,143,433	188,957,475
<i>Charter capital</i>	21.1	165,000,000	165,000,000
<i>Reserves</i>	21.2	15,173,637	12,200,612
<i>Retained earnings</i>	21.1	28,969,796	11,756,863
Total resources		<u>1,159,140,466</u>	<u>1,103,828,618</u>

The accompanying notes set out on pages 8 to 27 are an integral part of these financial statements

OFF BALANCE SHEET ACCOUNTS
 As at 31 December 2011

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Outstanding letters of credit	38,606,145	68,639,446
Guarantees	21,248,349	28,160,099
	<u>59,854,494</u>	<u>96,799,545</u>



Yei-Fong Jan
 General Director
 07 March 2012

Le Van Phu
 First Deputy General Director

Tran Le Thuy
 Chief Accountant

INCOME STATEMENT
 For the year ended 31 December 2011

FORM B 03/TCTD

	Notes	2011 USD	2010 USD
1. Interest and similar income	22	104,651,581	61,469,522
2. Interest expense and similar charges	23	(69,224,773)	(38,216,574)
I. Net interest and similar income		35,426,808	23,252,948
1. Fee and commission income		5,531,215	6,595,133
2. Fee and commission expense		(811,429)	(592,966)
II. Net fee and commission income		4,719,786	6,002,167
III. Net gain from dealing in foreign currencies	24	3,922,971	2,265,458
IV. Net loss from trading of held-for-sale securities		(355,271)	(186,896)
1. Other operating income		1,977,927	182,447
2. Other operating expenses		(12,514)	(30,565)
V. Gain from other activities		1,965,413	151,882
VI. General and administrative expenditures		(13,475,334)	(12,406,508)
VII. Net income before provision for credit losses		32,204,373	19,079,051
VIII. Provision for credit losses		(5,191,707)	(1,891,203)
IX. Profit before tax		27,012,666	17,187,848
X. Current tax expense	25	(6,609,235)	(3,659,848)
XI. Profit after tax		20,403,431	13,528,000



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Yei-Fong Jan
 General Director
 07 March 2012

Le Van Phu
 First Deputy General Director

Tran Le Thuy
 Chief Accountant

CASH FLOW STATEMENT
For the year ended 31 December 2011
(Under direct method)

FORM B 04/TCTD

	2011	2010
	<u>USD</u>	<u>USD</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and similar income received	100,431,646	58,239,185
Interest expense and similar charges paid	(60,357,277)	(33,756,053)
Fee and commission income received	4,719,786	6,002,167
Net gain on trading activities (foreign currencies and securities)	3,922,971	2,265,458
Other income	1,965,413	151,882
Cash paid to employees and related operating activities	(12,085,036)	(11,150,746)
Corporate income tax paid	(6,735,108)	(3,209,351)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	31,862,395	18,542,542
Changes in operating assets		
Increase in deposits with and loans to other credit institutions	(96,210,624)	(36,410,311)
Increase in trading securities	(5,735,367)	(34,220,334)
Increase in derivatives and other financial assets	-	(968,731)
Decrease/(Increase) in loans to customers	113,360,821	(183,260,386)
Decrease/(Increase) in other operating assets	7,216,467	(6,427,378)
Changes in operating liabilities		
Increase in deposits and borrowings from other credit institutions	100,886,217	230,025,927
(Decrease)/Increase in deposits from customers	(63,624,539)	83,277,087
(Decrease)/Increase in issuing certificate of deposits and bonds	(9,617,687)	105,641,247
(Decrease)/Increase in other liabilities	(830,413)	1,904,513
Payment from reserves	(217,473)	(198,404)
Net cash flows from operating activities	77,089,797	177,905,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets and construction in progress	(2,631,309)	(1,684,609)
Proceeds from disposal fixed assets	5,000	16,621
Net cash used in investing activities	(2,626,309)	(1,667,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	-	35,500,000
Dividend paid	-	(4,500,000)
Net cash from financing activities	-	31,000,000
Net increase in cash and cash equivalents	74,463,488	207,237,784
Cash and cash equivalents at the beginning of year	273,535,492	66,483,016
Effect of changes in foreign exchange rate	(2,169,242)	(185,308)
Cash and cash equivalents at the end of year	345,829,738	273,535,492

The accompanying notes set out on pages 8 to 27 are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2011
(Under direct method)

FORM B 04/TCTD

Non-cash transactions

Cash inflow from capital contribution during the year ended 31 December 2010 excludes an amount of USD 4,500,000, representing an amount of dividend declared to shareholders but was converted as capital contribution. Since this conversion did not constitute movement of cash, they were not reflected in the above statement.



Yei-Fong Jan
General Director
07 March 2012

Le Van Phu
First Deputy General Director

Tran Le Thuy
Chief Accountant



NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the financial statements

1. GENERAL INFORMATION

Indovina Bank Limited (“the Bank”) was incorporated in Vietnam as a joint venture bank for 40 years under the Banking License No. 08/NH-GP dated 29 October 1992 issued by the State Bank Governor, as amended. The Bank’s shareholders are Vietinbank, a bank incorporated in S.R.Vietnam, and Cathay United Bank, a bank incorporated in the Republic of China.

Principal activities

The principal activities of the Bank are to carry out full banking activities which include mobilizing and receiving short term, medium term and long term deposits from various organizations and individuals lending short term, medium term and long term loans to various organizations and individuals up to the nature and ability of the Bank’s capital resources; conducting foreign currency transactions; international commercial service, discounting of commercial notes, bonds and valued documents; providing settlement services between customers; and other banking services as approved by the State Bank of Vietnam.

Location and Networks

The Head Office of the Bank is located at 46-48-50 Pham Hong Thai, District 1, Ho Chi Minh City, S.R. Vietnam. As at 31 December 2011, the Bank had one Head Office, nine branches and seventeen transaction offices located in cities and provinces in Vietnam.

The number of the Bank’s employees as at 31 December 2011 was 657 (2010: 657).

2. ACCOUNTING CONVENTION AND FISCAL YEAR

Accounting convention

The accompanying financial statements, expressed in United States Dollar (USD), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations applicable to credit institutions in Vietnam. The Bank’s financial statements have been measured in USD as registered and approved by the Ministry of Finance in its letter dated 12 July 1999. The management believes that the use of USD is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Bank’s business operations.

Fiscal year

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

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC (“Circular 210”) guiding the application of International Financial Reporting Standards (“IFRS”) on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Bank has adopted Circular 210 and additional notes on this application to the financial statements for the year ended 31 December 2011 are set out in Note 28. However, the Circular 210 only refers to the application of IFRS on presentation and disclosures of financial instruments; it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS. Therefore, assets and liabilities have been recognized and accounted for in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations applicable to credit institutions in Vietnam.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Bank in the preparation of these financial statements, are as follows:

4.1. Use of estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations applicable to credit institutions in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4.2. Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Bank comprise cash on hand and valuable documents, deposits with the State Bank of Vietnam and other credit institutions, trading and investment securities, loans to customers, accrued interest and other receivables.

Financial liabilities

At the date of initial recognition financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Bank comprise deposits and borrowing from other credit institutions, deposit from customers, certificates of deposits and bonds, accrued interest and other payables.

Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

4.3. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and demand deposit at the State Bank, demand and term deposits at other banks with an original maturity of three months or less.

4.4. Trading securities

Trading securities are securities held for trading and are acquired principally for the purpose of selling in the short-term or if so designated by the management.

Trading securities are recognized on a trade date basis and are initially measured at cost including directly attributable transaction costs. At the subsequent reporting dates, trading securities are measured at cost, less the amount of diminution in value of trading securities.

Provision for diminution in value of trading security is made for freely traded securities whose book value is higher than market price as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

Gains or losses from trading transactions are recognized in the income statement on a net basis.

4.5. Available-for-sale securities

Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidation or changes in interest rates, exchange rates or equity prices.

Available-for-sale securities are stated at cost of acquisition. Subsequently, they are measured at cost less provision. Provision is made for available-for-sale securities eligible for being freely traded in the market and where there is a diminution in value of these securities.

Gains or losses from disposal of available-for-sale securities are recognized in the income statement and are reported on a net basis. Cost of securities disposed is determined by using the weighted average method.

4.6. Held-to-maturity securities

Held-to-maturity debt securities are those securities with fixed or determinable payment and fixed maturities that the management has the positive intention and ability to hold to maturity.

Held-to-maturity securities are initially stated at cost of acquisition. Subsequently, they are measured at cost less provision. Provision is required if there is evidence of a long-term decline in the value of the securities or in the case where the Bank cannot recover its investments.

Post-acquisition interest income of held-to-maturity securities is recognised in the income statement on an accruals basis. Pre-acquisition interest income of held-to-maturity securities is deducted against the cost of acquisition.

4.7. Loans to customers

Loans are reported at their outstanding principal amounts and are adjusted for any write-offs and provision for loan losses.

4.8. Interest income and expenses

The Bank records interest income and expense on an accruals basis. Interest income is recorded on the accrual basis unless the loan is classified as an impaired loan. Loans are considered to be impaired whenever there is no longer reasonable assurance as to the ultimate collectability of some portion of principal or interest. Loan where interest is due and has not been collected for a period of 10 days are automatically recognized as impaired, unless management determines there is no reasonable doubt as to the ultimate collectability of principal and interest. When a loan is classified as impaired, any interest income previously recognized but not yet collected is reversed.

4.9. Fees, commissions and dividend income

Fees and commission income consists of fees received for settlement services, treasury services, guarantees services, and other services. Fees on guarantees services are recognized on an accrual basis. Fees and commissions arising from settlement services, treasury services and other services are recognized on receipt.

Dividend income from investments is recognized when the Bank's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

4.10. Provision for loan losses, losses on guarantees and letters of credit

A provision for loan losses, losses on guarantees and letters of credit is made based on management's estimate of loan losses, losses on guarantees and letters of credit in accordance with the guidance specified under Decision 493/2005/QD-NHNN dated 22 April 2005 and Decision 18/2007/QD-NHNN dated 25 April 2007 issued by State Bank of Vietnam. Specific allowances are recorded on a loan-by-loan basis at a certain rate specified under Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN dated 25 April 2007. General provision for loan losses, losses on guarantees and letters of credit is made at 0.75% of the Bank's calculated Net Exposure. Net Exposure is determined by adding the total amount of loans to customers (after deducting loans that have been fully provided for) with the total amount of guarantees and letters of credit at the balance sheet date.

The provision for loan losses, losses on guarantees and letters of credit is charged to the income statement which comprises amounts written off during the year, net of recoveries on amounts written off in prior years, and changes in provision.

4.11. Tangible fixed assets and depreciation

Tangibles fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings & leasehold improvements	5 - 40
Office equipment, furniture & fixtures	3 - 8
Motor vehicles	6

4.12. Intangible assets and amortization

Intangible assets represent land use rights and computer software that are stated at cost less amortization.

Land use right which are granted for a definite term are amortized, using the straight-line method over the terms indicated in the land use right certificate. Land use rights which are granted for an indefinite term are carried out at cost and not amortized under current regulations.

Computer software is amortized on a straight-line basis over their estimated useful lives from five to eight years.

4.13. Off balance sheet financial commitments

In the ordinary course of business, the Bank enters into various off-balance sheet financial commitments to extend credit, commitments under the form of commercial letters of credit, foreign currency swap contracts, and import and export guarantees. Such transactions are recorded in the financial statements when they are funded or when related fees are incurred or received.

4.14. Foreign currencies

Transactions arising in foreign currencies are translated at the exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in such currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences are recognized in the income statement. Unrealized exchange gains at the balance sheet date are not treated as part of distributable profit to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

4.15. Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental charges applicable to such operating leases are charged to the income statement as incurred over the lease term.

4.16. Other provisions

Other provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Other provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

4.17. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The determination of the tax currently payable and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH ON HAND AND VALUABLE DOCUMENTS

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Cash on hand in Vietnam Dong	5,957,044	5,177,930
Cash on hand in foreign currencies	2,800,349	2,654,304
Valuable documents	2,000	1,000
	<u>8,759,393</u>	<u>7,833,234</u>

Valuable documents represent traveler's checks sent for collection at overseas banks.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

6. DEPOSITS WITH THE STATE BANK OF VIETNAM

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Demand deposits	12,770,874	2,317,849
Compulsory reserves	14,851,670	22,163,982
	<u>27,622,544</u>	<u>24,481,831</u>

Deposits with the State Bank of Vietnam as at 31 December 2011 and 31 December 2010 represent demand deposits and the compulsory reserves maintained in compliance with the provisions of Decision No.1972/QD-NHNN dated 31 August 2011 and Decision No.74/QD-NHNN dated 18 January 2010, respectively, issued by the State Bank of Vietnam.

The reserve balance is adjusted once per month and is calculated at the rate of 3% (2010: 3%) of the average customers' deposits in Vietnam Dong with demand deposits and term deposits less than one year and 1% (2010: 1%) of the average customer deposits in Vietnam Dong with terms of over one year. A compulsory reserve in United States Dollars is also required to be deposited, calculated by the same method at the rate of 8% (2010: 4%) for demand and term deposits with terms less than one year and 6% (2010: 2%) for term deposits with term of over one year.

7. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Demand deposit		
In Vietnam Dong	1,407,703	1,019,926
In foreign currencies	21,555,078	24,176,427
	<u>22,962,781</u>	<u>25,196,353</u>
Time deposit		
In Vietnam Dong (from 1 to 3 months)	253,985,020	176,024,074
In Vietnam Dong (over 3 months)	72,620,935	26,410,311
In foreign currencies (from 1 to 3 months)	32,500,000	40,000,000
In foreign currencies (over 3 months)	60,000,000	10,000,000
	<u>419,105,955</u>	<u>252,434,385</u>
	<u>442,068,736</u>	<u>277,630,738</u>

8. TRADING SECURITIES

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Equity securities		
Equity securities issued by local corporations	5,921,431	6,282,274
Less: provision for diminution in value of trading securities	(1,423,083)	(1,067,812)
	<u>4,498,348</u>	<u>5,214,462</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

Category of securities as listed and unlisted securities is as follows:

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Equity securities		
Listed	4,099,365	4,277,731
Non-listed	1,822,066	2,004,543
	<u>5,921,431</u>	<u>6,282,274</u>
Less: provision for diminution in value of listed equity securities	<u>(1,423,083)</u>	<u>(1,067,812)</u>
	<u>4,498,348</u>	<u>5,214,462</u>

No provision for diminution in value of non-listed equity securities has been made as there is no fair value to be determined as at the balance sheet date due to lack of market price information.

9. LOANS TO CUSTOMERS

Loans to customers are mainly secured by buildings, machinery and equipment, stocks, deposits and standby letters of credit. Loans to customers denominated in USD earn interest rates ranging from 4.50% to 6.00% (2010: 1.90% to 6.70%) per annum and those denominated in Vietnam Dong (VND) earn interest rates ranging from 19.00% to 22.00% (2010: 10.10% to 19.00%) per annum, as follows:

9.1 Analysis by type

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Short-term loans (within one year)	298,252,545	402,625,958
Medium-term loans (from one year to five years)	50,658,496	67,633,364
Long-term loans (over five years)	249,191,164	241,203,704
	<u>598,102,205</u>	<u>711,463,026</u>

9.2 Analysis by currency

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Loans denominated in Vietnam Dong	222,264,162	324,580,754
Loans denominated in foreign currencies	375,838,043	386,882,272
	<u>598,102,205</u>	<u>711,463,026</u>

9.3 Analysis by economic sectors

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
State owned enterprises	199,097,123	250,165,570
Private enterprises	241,164,447	256,665,307
Joint ventures and foreign direct invested enterprises	134,814,605	153,974,422
Others	23,026,030	50,657,727
	<u>598,102,205</u>	<u>711,463,026</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

9.4 Analysis by loan group

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Current	574,112,991	696,769,890
Special mention	14,310,426	13,438,682
Substandard	5,195,179	311,552
Doubtful	5,569	78,880
Loss	4,478,040	864,022
	<u>598,102,205</u>	<u>711,463,026</u>

9.5 Provision for credit losses

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Specific provision for loans to customers	4,884,533	871,772
General provision for loans to customers	4,467,857	5,034,061
	<u>9,352,390</u>	<u>5,905,833</u>

a. Specific provision for loans to customers

	2011	2010
	<u>USD</u>	<u>USD</u>
As at 1 January	871,772	767,595
Provision for loan losses for the year	4,562,523	227,970
Less: recoveries	<u>(549,762)</u>	<u>(123,793)</u>
As at 31 December	<u>4,884,533</u>	<u>871,772</u>

The specific provision for credit losses as at 31 December 2011 was calculated based on net credit exposure of each customer which is equal to the loans and advances balances less the value of collateral, using set rates applied to each loan group in accordance with Decision No. 493/2005/QD-NHNN dated 22 April 2005 and Decision No. 18/2007/QD-NHNN dated 25 April 2007 issued by the State Bank of Vietnam.

Loans are written off at the discretion of the Bank's Risk Management Committee when they consider that all reasonable efforts for recovery of doubtful loans, including legal actions, have been exhausted.

b. General provision for loans to customers

	2011	2010
	<u>USD</u>	<u>USD</u>
As at 1 January	5,034,061	3,888,943
Provision for loan losses for the year	507,312	1,166,393
Less: recoveries	<u>(1,073,516)</u>	<u>(21,275)</u>
As at 31 December	<u>4,467,857</u>	<u>5,034,061</u>

General provision was made in accordance with Decision 493/2005/QD-NHNN dated 22 April 2005 and Decision No. 18/2007/QD-NHNN dated 25 April 2007 issued by the State Bank of Vietnam. Accordingly, general provision as at 31 December 2011 was made at a rate of 0.75% (2010: 0.75%) of the total loan balance from Group 1 to Group 4 as at 30 November 2011.

10. AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities represent government bonds with maturities between two and five years, earning interest rates of 9% to 13.10% per annum (2010: 3.75% to 9% per annum).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

11. HELD-TO-MATURITY SECURITIES

Held-to-maturity securities represent debt securities issued by local corporations with maturities of 3 years and earning interest rates of 15.50% to 18% per annum.

12. TANGIBLE FIXED ASSETS

	Buildings & leasehold improvements USD	Office equipment, furniture & fixtures USD	Motor vehicles USD	Total USD
COST				
As at 1/1/2011	3,059,331	4,987,281	1,637,798	9,684,410
Additions	118,679	336,289	87,051	542,019
Disposals	(21,217)	(132,158)	(78,054)	(231,429)
As at 31/12/2011	<u>3,156,793</u>	<u>5,191,412</u>	<u>1,646,795</u>	<u>9,995,000</u>
ACCUMULATED DEPRECIATION				
As at 1/1/2011	1,011,938	2,460,864	837,263	4,310,065
Charge for the year	325,568	651,235	217,976	1,194,779
Eliminated upon disposals	(21,217)	(122,022)	(78,054)	(221,293)
As at 31/12/2011	<u>1,316,289</u>	<u>2,990,077</u>	<u>977,185</u>	<u>5,283,551</u>
NET BOOK VALUE				
As at 31/12/2011	<u>1,840,504</u>	<u>2,201,335</u>	<u>669,610</u>	<u>4,711,449</u>
As at 31/12/2010	<u>2,047,393</u>	<u>2,526,417</u>	<u>800,535</u>	<u>5,374,345</u>

The cost of the Bank's fixed assets includes an amount of USD 1,549,253 (2010: USD 1,142,063) in respect of fully depreciated assets which are still in use.

13. INTANGIBLE ASSETS

	Land use rights USD	Computer software USD	Total USD
COST			
As at 1/1/2011	12,189,508	1,336,320	13,525,828
Addition	-	51,549	51,549
As at 31/12/2011	<u>12,189,508</u>	<u>1,387,869</u>	<u>13,577,377</u>
ACCUMULATED AMORTIZATION			
As at 1/1/2011	163,362	694,533	857,895
Charge for the year	16,489	179,113	195,602
As at 31/12/2011	<u>179,851</u>	<u>873,646</u>	<u>1,053,497</u>
NET BOOK VALUE			
As at 31/12/2011	<u>12,009,657</u>	<u>514,223</u>	<u>12,523,880</u>
As at 31/12/2010	<u>12,026,146</u>	<u>641,787</u>	<u>12,667,933</u>

The cost of the Bank's computer software includes an amount of USD 294,076 (2010: USD 15,674) in respect of fully amortized software which is still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

14. CONSTRUCTION IN PROGRESS

	2011 <u>USD</u>	2010 <u>USD</u>
As at 1 January	774,729	140,627
Additions	2,185,704	1,017,335
Transfer to tangible fixed assets	<u>(147,963)</u>	<u>(383,233)</u>
As at 31 December	<u>2,812,470</u>	<u>774,729</u>

15. OTHER RECEIVABLES AND PREPAYMENTS

	31/12/2011 <u>USD</u>	31/12/2010 <u>USD</u>
Prepaid expenses	685,007	7,558,468
Other receivables	<u>1,150,992</u>	<u>1,493,998</u>
	<u>1,835,999</u>	<u>9,052,466</u>

16. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

	31/12/2011 <u>USD</u>	31/12/2010 <u>USD</u>
Demand deposits in Vietnam Dong	74,243	13,340
Demand deposits in foreign currencies	103,088	388,385
Time deposits in foreign currencies	<u>1,451,792</u>	<u>-</u>
	<u>1,629,123</u>	<u>401,725</u>

17. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31/12/2011 <u>USD</u>	31/12/2010 <u>USD</u>
In Vietnam Dong	247,263,299	188,886,541
In foreign currencies	<u>101,282,061</u>	<u>60,000,000</u>
	<u>348,545,360</u>	<u>248,886,541</u>

18. DEPOSITS FROM CUSTOMERS

	31/12/2011 <u>USD</u>	31/12/2010 <u>USD</u>
<u>In Vietnam Dong</u>		
Demand deposit	90,997,510	93,080,503
Time deposit	205,750,077	236,448,664
Margin deposit	876,354	1,404,599
Capital deposit	<u>1,101,023</u>	<u>1,725,188</u>
	<u>298,724,964</u>	<u>332,658,954</u>
<u>In foreign currencies</u>		
Demand deposit	104,684,295	108,761,490
Time deposit	69,615,145	83,620,582
Margin deposit	1,915,625	2,491,000
Capital deposit	<u>7,940,365</u>	<u>18,972,907</u>
	<u>184,155,430</u>	<u>213,845,979</u>
	<u>482,880,394</u>	<u>546,504,933</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

19. CERTIFICATES OF DEPOSITS AND BONDS

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Short-term certificates of deposits and bonds denominated in VND (*)	96,024,582	105,641,242
Short-term certificates of deposits and bonds denominated in foreign currencies	-	1,027
	<u>96,024,582</u>	<u>105,642,269</u>

(*) Short-term certificates of deposits and bonds denominated in VND represents bonds issued by the Bank amounted to 2,000,000,000,000 VND on 5 July 2010 with a term of 2 years. Interest is prepaid at the rate of 11.90% per annum for the first year and 16.50% per annum for the second year in arrears.

20. OTHER PAYABLES

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Escrow fund	100,887	96,458
Provision for severance pay	417,412	417,412
Corporate income tax payable	1,439,666	1,565,539
Other payables	2,442,025	3,276,867
	<u>4,399,990</u>	<u>5,356,276</u>

21. OTHER PROVISION

Other provision presents general provision for losses on credit contingencies and commitments which was made in accordance with Decision 493/2005/QD-NHNN dated 22 April 2005 and Decision No. 18/2007/QD-NHNN dated 25 April 2007 issued by the State Bank of Vietnam. Accordingly, general provision as at 31 December 2011 was made at a rate of 0.75% (2010: 0.75%) of total loan contingency and commitment balance classified from Group 1 to Group 4 as at 30 November 2011.

	2011	2010
	<u>USD</u>	<u>USD</u>
As at 1 January	927,221	456,694
Charge for the year	(429,311)	470,527
As at 31 December	<u>497,910</u>	<u>927,221</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

22. EQUITY AND RESERVES

22.1 Equity

	Charter capital USD	Reserves USD	Retained earnings USD	Total USD
Balance as at 1/1/2010	125,000,000	10,437,456	9,190,423	144,627,879
Capital contribution	40,000,000	-	-	40,000,000
Profit for the year	-	-	13,528,000	13,528,000
Appropriation to reserve	-	1,961,560	(1,961,560)	-
Disbursement of reserves for their intended uses	-	(198,404)	-	(198,404)
Declared dividend	-	-	(9,000,000)	(9,000,000)
Balance as at 31/12/2010	165,000,000	12,200,612	11,756,863	188,957,475
Profit for the year	-	-	20,403,431	20,403,431
Appropriation to reserve	-	3,190,498	(3,190,498)	-
Disbursement of reserves for their intended uses	-	(217,473)	-	(217,473)
Balance as at 31/12/2011	165,000,000	15,173,637	28,969,796	209,143,433

The Bank's charter capital is USD 165,000,000. The structure of the Bank's fully contributed charter capital is as follows:

	Per Investment License			Contributed capital	
	31/12/2011 USD	31/12/2010 USD	%	31/12/2011 USD	31/12/2010 USD
Vietinbank	82,500,000	82,500,000	50	82,500,000	82,500,000
Cathay United Bank	82,500,000	82,500,000	50	82,500,000	82,500,000
	165,000,000	165,000,000	100	165,000,000	165,000,000

22.2 RESERVES

Non-distributable reserves and their balances are as follows:

	Supplemental capital reserve USD	Financial reserve USD	Development reserve USD	Reward reserve USD	Total USD
Balance as at 1/1/2010	3,381,154	6,482,107	199,380	374,815	10,437,456
Appropriation to reserves	676,400	1,285,160	-	-	1,961,560
Disbursement of reserves for their intended uses	-	-	-	(198,404)	(198,404)
Balance as at 31/12/2010	4,057,554	7,767,267	199,380	176,411	12,200,612
Appropriation to reserves	1,020,172	1,938,326	-	232,000	3,190,498
Disbursement of reserves for their intended uses	-	-	-	(217,473)	(217,473)
Balance as at 31/12/2011	5,077,726	9,705,593	199,380	190,938	15,173,637

Under the term of its registration, the Bank is required to create the following reserves:

- 5% of the annual net profit after tax as a supplemental capital reserve but the fund shall not

INDOVINA BANK LIMITED46-48-50 Pham Hong Thai Street, District 1
Ho Chi Minh City, S.R. Vietnam**Financial Statements**

For the year ended 31 December 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)*These notes are an integral part of and should be read in conjunction with the financial statements*

exceed the charter capital.

- b. 10% of the annual net profit after tax (after providing the supplemental capital reserve and deducting accumulated losses carried forward and other non-deductible expenses), for a financial reserve fund. This fund should not exceed 25% of the allotted or registered capital.
- c. Development and reward reserve is established based on the decision of the Bank's Board of Directors.

23. INTEREST AND SIMILAR INCOME

	2011 <u>USD</u>	2010 <u>USD</u>
From loans to customers	67,759,212	51,336,170
From placements at other credit institutions	28,970,458	8,789,010
From investments	7,921,911	1,304,812
From other credit activities	-	39,530
	<u>104,651,581</u>	<u>61,469,522</u>

24. INTEREST EXPENSE AND SIMILAR CHARGES

	2011 <u>USD</u>	2010 <u>USD</u>
On deposits	32,598,878	29,328,339
On borrowings	22,235,475	2,576,488
On certificate of deposit	13,797,020	6,200,257
Others	593,400	111,490
	<u>69,224,773</u>	<u>38,216,574</u>

25. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2011 <u>USD</u>	2010 <u>USD</u>
Net gain from dealing in foreign currencies	3,424,011	2,985,235
Net gain/(loss) from foreign currency translation	498,960	(719,777)
	<u>3,922,971</u>	<u>2,265,458</u>

26. CURRENT TAX EXPENSE

	2011 <u>USD</u>	2010 <u>USD</u>
Profit before tax	27,012,666	17,187,848
Less: non-assessable income	(143,003)	-
Add back: non-deductible expenses	34,715	806,941
Assessable income	<u>26,904,378</u>	<u>17,994,789</u>
Income entitled the preferential tax rate 20%	-	17,994,789
Income entitled the normal tax rate 25%	26,904,378	-
Current tax expense	<u>6,726,095</u>	<u>3,598,958</u>
Previous' years (surplus)/additional income tax	(116,860)	60,890
	<u>6,609,235</u>	<u>3,659,848</u>

The Bank is obliged to pay corporate income tax at the rate of 20% of its assessable income until 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

and 25% afterward. The Bank's other assessable income is subject to tax rate of 25%.

No deferred tax asset and liabilities are recognized as there are no significant temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

27. FINANCIAL RISK MANAGEMENT

a. Interest rate risk

The Bank has significant interest rate risks arising from interest bearing loans which are arranged. The Bank is exposed to interest rate risk as the Bank borrows funds at both fixed and floating interest rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings.

Unit: USD

As at 31 December 2011	Non-interest bearing					6-12 months	1-5 years	Total
	Overdue	Up to 1 month	1-3 months	3-6 months	months			
Assets								
Cash on hand and valuable documents	-	-	-	-	-	-	-	8,759,393
Deposits with the State Bank of Vietnam	-	-	-	-	-	-	-	27,622,544
Deposits with other credit institutions	-	99,401,709	210,046,092	132,620,935	-	-	-	442,068,736
Loans to customers (*)	16,136,629	-	444,297,784	137,667,792	-	-	-	598,102,205
Trading, available-for-sale and held-to-maturity securities (*)	-	-	-	-	-	-	55,711,676	61,633,107
Fixed assets	-	-	-	-	-	-	-	17,235,329
Other assets	-	-	-	-	-	-	-	14,494,625
Total assets	16,136,629	99,401,709	654,343,876	270,288,727	-	-	55,711,676	1,169,915,939
Liabilities								
Deposits and borrowings from other credit institutions	-	-	74,914,256	275,260,227	-	-	-	350,174,483
Deposits from customers	-	373,228,250	52,493,836	23,765,626	31,553,525	-	1,839,157	482,880,394
Certificates of deposits and bonds	-	-	-	-	-	-	96,024,582	96,024,582
Other liabilities	-	-	-	-	-	-	-	31,693,047
Total liabilities	-	373,228,250	127,408,092	299,025,853	31,553,525	97,863,739	960,772,506	-
Interest gap of balance sheet items	16,136,629	42,340,275	(273,826,541)	(28,737,126)	(31,553,525)	(42,152,063)	(42,152,063)	209,143,433
Interest gap of off balance sheet items	-	-	-	-	-	-	-	-
Total interest gap	16,136,629	42,340,275	(273,826,541)	(28,737,126)	(31,553,525)	(42,152,063)	(42,152,063)	209,143,433

(*): the above balances exclude provision.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

b. Currency risk

The Bank undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Bank does not hedge this risk due to the lack of any market to purchase such instruments. The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Unit: USD

As at 31 December 2011	VND	USD	GBP	EUR	JPY	AUD	CAD	Others	Total
Assets									
Cash on hand and valuable documents	5,957,043	2,753,873	-	48,477	-	-	-	-	8,759,393
Deposits with the State Bank of Vietnam	12,641,531	14,981,013	-	-	-	-	-	-	27,622,544
Deposits with other credit institutions	329,066,244	112,414,948	-	347,999	-	-	-	239,545	442,068,736
Loans to customers (*)	222,264,165	375,838,040	-	-	-	-	-	-	598,102,205
Trading, available-for-sale and held-to-maturity securities (*)	61,633,107	-	-	-	-	-	-	-	61,633,107
Fixed assets	-	17,235,329	-	-	-	-	-	-	17,235,329
Other assets	10,323,002	4,171,623	-	-	-	-	-	-	14,494,625
Total assets	641,885,092	527,394,826	-	396,476	-	-	-	239,545	1,169,915,939
Liabilities and shareholders' equity									
Deposits and borrowings from other credit institutions	247,337,541	102,836,942	-	-	-	-	-	-	350,174,483
Deposits from customers	298,989,700	183,519,781	-	329,203	-	-	-	41,710	482,880,394
Certificate of deposits and bonds	96,024,582	-	-	-	-	-	-	-	96,024,582
Other liabilities	16,719,094	14,973,410	-	-	-	-	-	543	31,693,047
Capital and reserves	-	209,143,433	-	-	-	-	-	-	209,143,433
Total liabilities and shareholders' equity	659,070,917	510,473,566	-	329,203	-	-	-	42,253	1,169,915,939
Net on-balance sheet position	(17,185,825)	16,921,260	-	67,273	-	-	-	197,292	-
Net off-balance sheet position	-	-	-	-	-	-	-	-	-
Total position	(17,185,825)	16,921,260	-	67,273	-	-	-	197,292	-

(*): the above balances exclude provision.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

c. Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Bank believes can generate within that period. The Bank's policy is to regularly monitor current and expected liquidity requirements to ensure that the Bank maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term. The table below analysed the Bank's assets and liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

Unit: USD

As at 31 December 2011	Overdue		Current			Total
	Over 3 months	Up to 3 months	Up to 1 month	1-3 months	3-12 months	
Assets						
Cash on hand and valuable documents	-	-	8,759,393	-	-	8,759,393
Deposits with the State Bank of Vietnam	-	-	27,622,544	-	-	27,622,544
Deposits with other credit institutions	-	-	99,401,709	210,046,092	132,620,935	442,068,736
Loans to customers (*)	11,400,810	4,735,819	25,782,495	111,885,294	163,453,179	598,102,205
Trading, available-for-sale and held-to-maturity securities (*)	-	-	5,921,431	-	-	61,633,107
Fixed assets	-	-	-	-	-	17,235,329
Other assets	-	-	14,494,625	-	-	14,494,625
Total assets	11,400,810	4,735,819	181,982,197	321,931,386	296,074,114	1,169,915,939
Liabilities						
Deposits and borrowings from other credit institutions	-	-	-	74,914,256	275,260,227	350,174,483
Deposits from customers	-	-	377,832,601	59,654,193	44,141,491	482,880,394
Certificate of deposits and bonds	-	-	-	-	-	96,024,582
Other liabilities	-	-	31,693,047	-	-	31,693,047
Total liabilities	-	-	409,525,648	134,568,449	319,401,718	960,772,506
Net liquidity gap	11,400,810	4,735,819	(227,543,451)	187,362,937	(23,327,604)	209,143,433

(*): the above balances exclude provision.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

28. FINANCIAL INSTRUMENTS

Capital risk management

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of net debt and equity attributable to equity holders of the Bank (comprising capital, reserves and retained earnings).

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

	Carrying amounts		Fair value (*)	
	31/12/2011 USD	31/12/2010 USD	31/12/2011 USD	31/12/2010 USD
Financial assets				
Cash on hand and valuable documents	8,759,393	7,833,234	8,759,393	7,833,234
Deposits with the State Bank of Vietnam	27,622,544	24,481,831	27,622,544	24,481,831
Deposits with other credit institutions	442,068,736	277,630,738	(*)	(*)
Trading securities	4,498,348	5,214,462	(*)	(*)
Loans to customers	588,749,815	705,557,193	(*)	(*)
Investment securities	55,711,676	49,615,466	(*)	(*)
Other receivables	4,648,469	9,827,195	(*)	(*)
Accrued interest receivable	9,846,156	5,626,221	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	1,629,123	401,725	(*)	(*)
Borrowings from other credit institutions	348,545,360	248,886,541	(*)	(*)
Deposits from customers	482,880,394	546,504,933	(*)	(*)
Certificates of deposits and bonds	96,024,582	105,642,269	(*)	(*)
Accrued interest payable	16,019,674	7,152,178	(*)	(*)
Other payables	3,383,455	4,526,399	(*)	(*)

(*) The Bank has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210 and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of IFRS on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Bank does not have any significant credit risk exposure to any counterparty because receivables consist of a large number of customers, spread across diverse industries and geographical areas.

INDOVINA BANK LIMITED46-48-50 Pham Hong Thai Street, District 1
Ho Chi Minh City, S.R. Vietnam**Financial Statements**

For the year ended 31 December 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)*These notes are an integral part of and should be read in conjunction with the financial statements***29. OPERATING LEASE ARRANGEMENTS**

	2011	2010
	<u>USD</u>	<u>USD</u>
Minimum lease payments under operating leases recognized in income statement for the year	<u>1,743,865</u>	<u>1,533,678</u>

At the balance sheet date, the Bank had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2011	31/12/2010
	<u>USD</u>	<u>USD</u>
Within one year	1,489,259	1,540,758
In the second to fifth years inclusive	3,344,591	4,660,874
After five years	<u>690,527</u>	<u>999,225</u>
	<u>5,524,377</u>	<u>7,200,857</u>

Operating lease payments mainly represent rentals payable by the Bank for certain of its offices. These leases are negotiated for a term of from 2 to 10 years.

30. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of business, the Bank has deposits and other transactions with Vietinbank, Cathay United Bank (CUB), CUB - Chu Lai Branch (CCB), CUB - Hong Kong and CUB Representative Office. These are made substantially on the same terms as with other individuals and businesses of comparable risks. These transactions and the related balances are shown under various accounts in the financial statements. The following are related parties' balances as at the balance sheet date and transactions between the Bank and its related parties during the year.

The related party transactions were as follows:

<u>Related parties</u>	<u>Relationship</u>	<u>Nature</u>	2011	2010
			<u>USD</u>	<u>USD</u>
Vietinbank	Vietnamese shareholder	Borrowings	153,755,287	21,128,248
		Loans to Vietinbank	465,125,023	29,217,118
		Interest income	2,825,077	435,369
		Interest expense	1,866,537	431,982
		Dividend declared and paid	-	4,500,000
		Capital contribution	-	<u>20,000,000</u>
CUB	Foreign shareholder	Borrowings	110,000,000	50,000,000
		Interest expense	530,199	15,353
		Interest income	-	634
		Dividend declared and converted to legal capital	-	4,500,000
		Capital contribution	-	15,500,000
		Loans to CUB	-	<u>32,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the financial statements

CCB	Foreign shareholder's Branch	Borrowings	-	6,900,000
		Loans to CCB	-	528,206
		Interest expense	837	4,222
		Interest income	-	147
CUB - Representative Office	Representative Office of CUB	Interest expense	41	37
CUB - Hong Kong	Foreign shareholder's Branch	Borrowings	-	14,000,000
		Loans to CUB - Hong Kong	2,119,000,000	1,529,000,000
		Interest expense	-	129
		Interest income	23,559	14,006
Board of Management		Remuneration	257,857	220,428

The related party balances at the balance sheet date were as follows:

<u>Related parties</u>	<u>Relationship</u>	<u>Nature</u>	31/12/2011 <u>USD</u>	31/12/2010 <u>USD</u>
Vietinbank	Vietnamese shareholder	Deposit with Vietinbank	781,299	554,680
		Borrowings	134,434,415	21,128,248
		Lending	189,235,644	21,128,248
CUB	Foreign shareholder	Deposit with CUB	789,577	1,867,497
		Borrowings	70,000,000	80,000,000
CCB	Foreign shareholder's Branch	Deposit from CCB	112,261	239,907
CUB - Representative Office	Representative office of CUB	Deposit from CUB Representative Office	45,864	50,020
CUB - Hong Kong	Foreign shareholder's Branch	Lending	-	20,000,000



Yei-Fong Jan
General Director
07 March 2012

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