

INDOVINA BANK LIMITED

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2012

INDOVINA BANK LIMITED

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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STATEMENT OF THE BOARD OF EXECUTIVES

The Board of Executives of Indovina Bank Limited (“the Bank”) presents this report together with the Bank’s financial statements for the year ended 31 December 2012.

THE BOARDS OF MEMBERS AND EXECUTIVES

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

Board of Members

| | |
|---------------------|---------------|
| 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 Executives

| | |
|------------------|--------------------------------|
| 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 EXECUTIVES’ STATEMENT OF RESPONSIBILITY

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

For and on behalf of the Board of Executives,



Yei-Fong Jan
General Director
20 March 2013

Le Van Phu
First Deputy General Director

No. 0342 /Deloitte-AUDHCM-RE

INDEPENDENT AUDITORS' REPORT

To: **The Boards of Members and Executives of Indovina Bank Limited**

We have audited the accompanying balance sheet of Indovina Bank Limited ("the Bank") as at 31 December 2012, the related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements") prepared on 20 March 2013, 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 Executives and Auditors

As stated in the Statement of the Board of Executives on page 1, these financial statements are the responsibility of the Bank's Board of Executives. 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 2012 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 Dinh Tu
Audit Partner
CPA Certificate No 0488/KTV
For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED
20 March 2013
Ho Chi Minh City, S.R. Vietnam

Huynh Vu Dai Trong
Auditor
CPA Certificate No. 1204/KTV

BALANCE SHEET
As at 31 December 2012

FORM B 02/TCTD

| | Notes | 31/12/2012 USD | 31/12/2011 USD |
|--|-------|----------------------|----------------------|
| Assets | | | |
| Cash on hand and valuable documents | 5 | 7,069,054 | 8,759,393 |
| Deposits with the State Bank of Vietnam | 6 | 30,058,383 | 27,622,544 |
| Deposits with other credit institutions | 7 | 186,672,120 | 442,068,736 |
| Lending to other credit institutions | 8 | 238,443,873 | - |
| <i>Lending balances</i> | | 240,079,700 | - |
| <i>Less provision for lending to other credit institutions</i> | | (1,635,827) | - |
| Trading securities | 9 | 3,451,635 | 4,498,348 |
| Loans to customers | | 544,511,487 | 588,749,815 |
| <i>Loan balances</i> | 10 | 554,774,543 | 598,102,205 |
| <i>Less provision for loan losses</i> | 11 | (10,263,056) | (9,352,390) |
| Investment securities | | 65,015,611 | 55,711,676 |
| <i>Available-for-sale securities</i> | 12 | 26,365,717 | 17,061,782 |
| <i>Held-to-maturity securities</i> | 13 | 38,649,894 | 38,649,894 |
| Tangible fixed assets | 14 | 4,017,161 | 4,711,449 |
| Intangible assets | 15 | 12,336,420 | 12,523,880 |
| Other assets | | 18,756,000 | 14,494,625 |
| <i>Construction in progress</i> | 16 | 5,670,130 | 2,812,470 |
| <i>Other receivables and prepayments</i> | 17 | 2,059,484 | 1,835,999 |
| <i>Accrued interest receivable</i> | | 11,026,386 | 9,846,156 |
| Total assets | | 1,110,331,744 | 1,159,140,466 |
| Resources | | | |
| Deposits from other credit institutions | 18 | 6,958,834 | 1,629,123 |
| Borrowings from other credit institutions | 19 | 271,627,652 | 348,545,360 |
| Deposits from customers | 20 | 593,515,331 | 482,880,394 |
| Certificates of deposits and bonds | 21 | - | 96,024,582 |
| Other liabilities | | 45,199,584 | 20,917,574 |
| <i>Accrued interest payable</i> | | 8,597,928 | 16,019,674 |
| <i>Other payables</i> | 22 | 36,143,182 | 4,399,990 |
| <i>Other provision</i> | 23 | 458,474 | 497,910 |
| Equity and reserves | | 193,030,343 | 209,143,433 |
| <i>Charter capital</i> | 24.1 | 165,000,000 | 165,000,000 |
| <i>Reserves</i> | 24.2 | 16,984,906 | 15,173,637 |
| <i>Retained earnings</i> | | 11,045,437 | 28,969,796 |
| Total resources | | 1,110,331,744 | 1,159,140,466 |

The accompanying notes set out on pages 7 to 27 are an integral part of these financial statements



OFF BALANCE SHEET ACCOUNTS
 As at 31 December 2012

| | Notes | 31/12/2012 USD | 31/12/2011 USD |
|-------------------------------|-------|-------------------|-------------------|
| Outstanding letters of credit | 30 | 22,384,662 | 38,606,145 |
| Guarantees | 30 | 29,262,623 | 21,248,349 |
| | | <u>51,647,285</u> | <u>59,854,494</u> |



Yei-Fong Jan
 General Director
 20 March 2013

Le Van Phu
 First Deputy General Director

Tran Le Thuy
 Chief Accountant

INCOME STATEMENT
 For the year ended 31 December 2012

FORM B 03/TCTD

| | Notes | 2012 USD | 2011 USD |
|--|-------|---------------------|---------------------|
| 1. Interest and similar income | 25 | 81,207,994 | 104,651,581 |
| 2. Interest expense and similar charges | 26 | (52,294,234) | (69,224,773) |
| I. Net interest and similar income | | 28,913,760 | 35,426,808 |
| 1. Fee and commission income | | 3,153,670 | 5,531,215 |
| 2. Fee and commission expense | | (555,912) | (811,429) |
| II. Net fee and commission income | | 2,597,758 | 4,719,786 |
| III. Net gain from dealing in foreign currencies | 27 | 1,560,300 | 3,922,971 |
| IV. Net loss from trading of held-for-sale securities | | (435,649) | (355,271) |
| V. Net loss from trading of investment securities | | (198,666) | - |
| 1. Other operating income | | 3,639,744 | 1,977,927 |
| 2. Other operating expenses | | (782) | (12,514) |
| VI. Gain from other activities | | 3,638,962 | 1,965,413 |
| VII. General and administrative expenditures | | (14,224,376) | (13,475,334) |
| VIII. Net income before provision for credit losses | | 21,852,089 | 32,204,373 |
| IX. Provision for credit losses | 11 | (5,686,495) | (5,191,707) |
| X. Profit before tax | | 16,165,594 | 27,012,666 |
| XI. Current tax expense | 28 | (4,051,393) | (6,609,235) |
| XII. Profit after tax | | 12,114,201 | 20,403,431 |



Yei-Fong Jan
 General Director
 20 March 2013

Le Van Phu
 First Deputy General Director

Tran Le Thuy
 Chief Accountant

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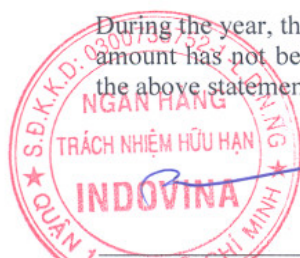
CASH FLOW STATEMENT
For the year ended 31 December 2012
(Under direct method)

FORM B 04/TCTD

| | 2012 USD | 2011 USD |
|--|----------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest and similar income received | 80,027,764 | 100,431,646 |
| Interest expense and similar charges paid | (59,715,980) | (60,357,277) |
| Fee and commission income received | 2,597,758 | 4,719,786 |
| Net gain on trading activities (foreign currencies and securities) | 1,560,300 | 3,922,971 |
| Other income | 3,638,962 | 1,965,413 |
| Cash paid to employees and related operating activities | (12,953,581) | (12,085,036) |
| Corporate income tax paid | (4,569,872) | (6,735,108) |
| CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES | 10,585,351 | 31,862,395 |
| Changes in operating assets | | |
| Increase in deposits with and loans to other credit institutions | (272,688,265) | (96,210,624) |
| Increase in trading securities | (8,692,872) | (5,735,367) |
| Decrease in loans to customers | 43,327,662 | 113,360,821 |
| (Increase)/ Decrease in other operating assets | (223,485) | 7,216,467 |
| Changes in operating liabilities | | |
| (Decrease)/Increase in deposits and borrowings from other credit institutions | (71,587,997) | 100,886,217 |
| Increase/(Decrease) in deposits from customers | 110,634,936 | (63,624,539) |
| Decrease in issuing certificate of deposits and bonds | (96,024,582) | (9,617,687) |
| Increase/(Decrease) in other liabilities | 4,261,671 | (830,413) |
| Payment from reserves | (227,290) | (217,473) |
| Net cash flows (used in)/from operating activities | (280,634,871) | 77,089,797 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets and construction in progress | (3,273,023) | (2,631,309) |
| Proceeds from disposal fixed assets | 12,265 | 5,000 |
| Net cash used in investing activities | (3,260,758) | (2,626,309) |
| Net (decrease)/increase in cash and cash equivalents | (283,895,629) | 74,463,488 |
| Cash and cash equivalents at the beginning of year | 345,829,738 | 273,535,492 |
| Effect of changes in foreign exchange rate | (3,364,052) | (2,169,242) |
| Cash and cash equivalents at the end of year | 58,570,057 | 345,829,738 |
| <i>In which:</i> | | |
| Cash on hand and valuable documents | 7,069,054 | 8,759,393 |
| Deposits with State Bank of Vietnam | 30,058,383 | 27,622,544 |
| Deposits with other credit institutions (with terms of 3 months or less) | 21,442,620 | 309,447,801 |
| | 58,570,057 | 345,829,738 |

Non-cash transactions

During the year, the Bank's Board of Members resolved to declare a dividend of USD 28,000,000. To date, this amount has not been paid. Since this declaration did not constitute movement of cash, it was not reflected in the above statement.



Ye-Fong Jan
General Director
20 March 2013

Le Van Phu
First Deputy General Director

Tran Le Thuy
Chief Accountant

The accompanying notes set out on pages 7 to 27 are an integral part of these financial statements

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 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 Street, District 1, Ho Chi Minh City, S.R. Vietnam. As at 31 December 2012, the Bank had one Head Office, nine branches and seventeen transaction offices located in cities and provinces in Vietnam.

The number of the Banks’ employees as at 31 December 2012 was 670 (2011: 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. NEW GUIDANCE ON MAKING PROVISION IN ISSUE NOT YET ADOPTED

On 21 January 2013, the State Bank of Vietnam (“SBV”) issued Circular No. 02/2013/TT-NHNN stipulating classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activity of credit institutions and branches of foreign banks. The Circular replaces Directive No. 05/2005/CT-NHNN dated 26 April 2005 of the Governor of State Bank of Vietnam on implementation of classification of debts and setting up of provisions against credit risks according to Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor of State Bank of Vietnam, Decision No. 780/QD-NHNN dated 23 April 2012 of the Governor of State Bank of Vietnam on classification of debts respect to re-structured loans, Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor of State Bank of Vietnam on promulgating regulation on classification of debts, setting up of provisions against credit risks in the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

banking activity of credit institutions, Decision No. 18/2007/QD-NHNN dated 25 April 2007 of the Governor of State Bank of Vietnam on amending and supplementing a number of articles of regulation on classification of debts, setting up and use of provisions against credit risks in the banking activity of credit institutions promulgated together with the Decision No. 493/2005/QD-NHNN dated 22 April 2005. Circular No. 02/2013/TT-NHNN will take effect from 01 June 2013. The Board of Executives of the Bank is considering the extent of impact of adopting the Circular on the Bank's financial statements for future accounting periods.

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. Although these accounting estimates are based on the management's best knowledge, actual results may 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

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

The specific 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 ("Decision 493") dated 22 April 2005; Decision 18/2007/QD-NHNN ("Decision 18") dated 25 April 2007 and Decision 780/QD-NHNN dated 23 April 2012 on classification of rescheduled loans issued by State Bank of Vietnam. Specific allowances are recorded on a loan-by-loan basis at a certain rate specified under Decision 493 and Decision 18. 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

Tangible 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 rights 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

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.

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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

5. CASH ON HAND AND VALUABLE DOCUMENTS

| | 31/12/2012 | 31/12/2011 |
|------------------------------------|-------------------------|-------------------------|
| | <u>USD</u> | <u>USD</u> |
| Cash on hand in Vietnam Dong | 4,799,116 | 5,957,044 |
| Cash on hand in foreign currencies | 2,267,733 | 2,800,349 |
| Valuable documents | <u>2,205</u> | <u>2,000</u> |
| | <u>7,069,054</u> | <u>8,759,393</u> |

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

6. DEPOSITS WITH THE STATE BANK OF VIETNAM

| | 31/12/2012 | 31/12/2011 |
|---------------------|--------------------------|--------------------------|
| | <u>USD</u> | <u>USD</u> |
| Demand deposits | 4,038,701 | 12,770,874 |
| Compulsory reserves | <u>26,019,682</u> | <u>14,851,670</u> |
| | <u>30,058,383</u> | <u>27,622,544</u> |

Deposits with the State Bank of Vietnam as at 31 December 2012 and 31 December 2011 represent demand deposits and the compulsory reserves maintained in compliance with the provisions of Decision No. 1925/QD-NHNN dated 26 August 2011 and Decision No. 1972/QD-NHNN dated 31 August 2011 issued by the State Bank of Vietnam.

The reserve balance is adjusted once per month and is calculated at the rate of 3% (2011: 3%) of the average customers' deposits in Vietnam Dong with demand deposits and term deposits less than one year and 1% (2011: 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% (2011: 8%) for demand and term deposits with terms less than one year and 6% (2011: 6%) for term deposits with term of over one year.

7. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

| | 31/12/2012 | 31/12/2011 |
|--|---------------------------|---------------------------|
| | <u>USD</u> | <u>USD</u> |
| Demand deposit | | |
| In Vietnam Dong | 2,483,612 | 1,407,703 |
| In foreign currencies | <u>18,478,886</u> | <u>21,555,078</u> |
| | 20,962,498 | 22,962,781 |
| Time deposit | | |
| In Vietnam Dong (from 1 to 3 months) | 480,122 | 253,985,020 |
| In Vietnam Dong (over 3 months) | 115,229,500 | 72,620,935 |
| In foreign currencies (from 1 to 3 months) | - | 32,500,000 |
| In foreign currencies (over 3 months) | <u>50,000,000</u> | <u>60,000,000</u> |
| | 165,709,622 | 419,105,955 |
| | <u>186,672,120</u> | <u>442,068,736</u> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

8. LENDING TO OTHER CREDIT INSTITUTIONS

| | 31/12/2012 | 31/12/2011 |
|--|---------------------------|-----------------|
| | <u>USD</u> | <u>USD</u> |
| In Vietnam Dong | 155,079,700 | - |
| In foreign currencies | 85,000,000 | - |
| | <u>240,079,700</u> | <u>-</u> |
| Less: provision for lending to other credit institutions | (1,635,827) | - |
| | <u>238,443,873</u> | <u>-</u> |

9. TRADING SECURITIES

| | 31/12/2012 | 31/12/2011 |
|---|-------------------------|-------------------------|
| | <u>USD</u> | <u>USD</u> |
| Equity securities | | |
| Equity securities issued by local corporations | 5,310,368 | 5,921,431 |
| Less: provision for diminution in value of trading securities | (1,858,733) | (1,423,083) |
| | <u>3,451,635</u> | <u>4,498,348</u> |

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

| | 31/12/2012 | 31/12/2011 |
|--|-------------------------|-------------------------|
| | <u>USD</u> | <u>USD</u> |
| Equity securities | | |
| Listed | 4,099,365 | 4,099,365 |
| Non-listed | 1,211,003 | 1,822,066 |
| | <u>5,310,368</u> | <u>5,921,431</u> |
| Less: provision for diminution in value of equity securities | (1,858,733) | (1,423,083) |
| | <u>3,451,635</u> | <u>4,498,348</u> |

Provision for equity securities has been made followed Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009.

10. 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 2.50% to 6.00% (2011: 4.50% to 6.00%) per annum and those denominated in Vietnam Dong (VND) earn interest rates ranging from 9.00% to 17.00% (2011: 19.00% to 22.00%) per annum, as follows:

10.1 Analysis by type

| | 31/12/2012 | 31/12/2011 |
|---|---------------------------|---------------------------|
| | <u>USD</u> | <u>USD</u> |
| Short-term loans (within one year) | 244,537,766 | 298,252,545 |
| Medium-term loans (from one year to five years) | 47,001,722 | 50,658,496 |
| Long-term loans (over five years) | 263,235,055 | 249,191,164 |
| | <u>554,774,543</u> | <u>598,102,205</u> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

10.2 Analysis by currency

| | 31/12/2012 USD | 31/12/2011 USD |
|---|--------------------|--------------------|
| Loans denominated in Vietnam Dong | 203,723,206 | 222,264,162 |
| Loans denominated in foreign currencies | 351,051,337 | 375,838,043 |
| | <u>554,774,543</u> | <u>598,102,205</u> |

10.3 Analysis by economic sectors

| | 31/12/2012 USD | 31/12/2011 USD |
|--|--------------------|--------------------|
| State owned enterprises | 165,291,616 | 199,097,123 |
| Private enterprises | 234,366,251 | 241,164,447 |
| Joint ventures and foreign direct invested enterprises | 127,662,104 | 134,814,605 |
| Others | 27,454,572 | 23,026,030 |
| | <u>554,774,543</u> | <u>598,102,205</u> |

10.4 Analysis by loan group

| | 31/12/2012 USD | 31/12/2011 USD |
|-----------------|--------------------|--------------------|
| Current | 520,399,130 | 574,112,991 |
| Special mention | 16,093,258 | 14,310,426 |
| Substandard | 8,172,855 | 5,195,179 |
| Doubtful | 3,552,730 | 5,569 |
| Loss | 6,556,570 | 4,478,040 |
| | <u>554,774,543</u> | <u>598,102,205</u> |

11. PROVISION FOR CREDIT LOSSES

| | 31/12/2012 USD | 31/12/2011 USD |
|---|-------------------|-------------------|
| Specific provision for loans to customers | 6,521,356 | 4,884,533 |
| General provision for loans to customers | 3,741,700 | 4,467,857 |
| | <u>10,263,056</u> | <u>9,352,390</u> |

a. Specific provision for loans to customers

| | 2012 USD | 2011 USD |
|--|------------------|------------------|
| As at 1 January | 4,884,533 | 871,772 |
| Provision for loan losses for the year | 3,713,486 | 4,562,523 |
| Less: recoveries | (2,076,663) | (549,762) |
| As at 31 December | <u>6,521,356</u> | <u>4,884,533</u> |

The specific provision for credit losses as at 31 December 2012 was calculated based on net credit exposure of each customer as at 30 November 2012 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 493 and Decision 18 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.

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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

b. General provision for loans to customers

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|--|-------------------------|-------------------------|
| As at 1 January | 4,467,857 | 5,034,061 |
| Provision for loan losses for the year | - | 507,312 |
| Less: recoveries | <u>(726,157)</u> | <u>(1,073,516)</u> |
| As at 31 December | <u>3,741,700</u> | <u>4,467,857</u> |

General provision was made in accordance with Decision 493 and Decision 18 issued by the State Bank of Vietnam. Accordingly, general provision as at 31 December 2012 was made at a rate of 0.75% (2011: 0.75%) of the total loan balance from Group 1 to Group 4 as at 30 November 2012.

c. Provision for credit losses has been recorded to income statement:

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|---|-------------------------|-------------------------|
| Provision for lending to other credit institutions (note 8) | 1,635,827 | - |
| Provision for loan losses | 3,713,486 | 5,069,835 |
| Provision for off-balance sheet commitments (note 23) | <u>337,182</u> | <u>121,872</u> |
| | <u>5,686,495</u> | <u>5,191,707</u> |

12. AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities represent government and corporate bonds with maturities between three and five years, earning interest rates of 9.00% to 17.50% per annum (2011: 9.00% to 13.10% per annum) and 1,386,000 shares of Vietnam National Financial Switching Joint Stock Company ("Banknetvn"), a company incorporated in Vietnam. Detail of available-for-sale securities is as follows:

| | 31/12/2012 <u>USD</u> | 31/12/2011 <u>USD</u> |
|------------------------------|--------------------------|--------------------------|
| Government bonds | 17,058,054 | 17,061,782 |
| Corporate bonds | 8,642,213 | - |
| Non-listed equity securities | <u>665,450</u> | <u>-</u> |
| | <u>26,365,717</u> | <u>17,061,782</u> |

13. HELD-TO-MATURITY SECURITIES

Held-to-maturity securities represent debt securities issued by local corporations with maturities from 2-5 years and earning interest rates of 14.88% to 18.13% 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

14. TANGIBLE FIXED ASSETS

| | Buildings & leasehold improvements USD | Office equipment, furniture & fixtures USD | Motor vehicles USD | Total USD |
|---------------------------------|---|--|--------------------------|-------------------|
| COST | | | | |
| As at 1/1/2012 | 4,144,788 | 4,203,419 | 1,646,793 | 9,995,000 |
| Additions | 10,617 | 282,120 | 86,391 | 379,128 |
| Disposals | (192,888) | (75,078) | (48,993) | (316,959) |
| As at 31/12/2012 | <u>3,962,517</u> | <u>4,410,461</u> | <u>1,684,191</u> | <u>10,057,169</u> |
| ACCUMULATED DEPRECIATION | | | | |
| As at 1/1/2012 | 1,316,289 | 2,990,077 | 977,185 | 5,283,551 |
| Charge for the year | 254,848 | 628,335 | 181,119 | 1,064,302 |
| Eliminated upon disposals | (184,279) | (74,297) | (49,269) | (307,845) |
| As at 31/12/2012 | <u>1,386,858</u> | <u>3,544,115</u> | <u>1,109,035</u> | <u>6,040,008</u> |
| NET BOOK VALUE | | | | |
| As at 31/12/2012 | <u>2,575,659</u> | <u>866,346</u> | <u>575,156</u> | <u>4,017,161</u> |
| As at 31/12/2011 | <u>2,828,499</u> | <u>1,213,342</u> | <u>669,608</u> | <u>4,711,449</u> |

The cost of the Bank's fixed assets includes an amount of 2,166,462 USD (2011: USD 1,549,253) in respect of fully depreciated assets which are still in use.

15. INTANGIBLE ASSETS

| | Land use rights USD | Computer software USD | Total USD |
|---------------------------------|---------------------------|-----------------------------|-------------------|
| COST | | | |
| As at 1/1/2012 | 12,189,508 | 1,387,869 | 13,577,377 |
| Addition | - | 19,306 | 19,306 |
| As at 31/12/2012 | <u>12,189,508</u> | <u>1,407,175</u> | <u>13,596,683</u> |
| ACCUMULATED AMORTIZATION | | | |
| As at 1/1/2012 | 179,851 | 873,646 | 1,053,497 |
| Charge for the year | 16,485 | 190,281 | 206,766 |
| As at 31/12/2012 | <u>196,336</u> | <u>1,063,927</u> | <u>1,260,263</u> |
| NET BOOK VALUE | | | |
| As at 31/12/2012 | <u>11,993,172</u> | <u>343,248</u> | <u>12,336,420</u> |
| As at 31/12/2011 | <u>12,009,657</u> | <u>514,223</u> | <u>12,523,880</u> |

The cost of the Bank's computer software includes an amount of USD 298,601 (2011: USD 294,076) 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

16. CONSTRUCTION IN PROGRESS

| | 2012 USD | 2011 USD |
|-----------------------------------|-------------------------|-------------------------|
| As at 1 January | 2,812,470 | 774,729 |
| Additions | 3,078,044 | 2,185,704 |
| Transfer to prepayment | (179,567) | - |
| Transfer to tangible fixed assets | (40,817) | (147,963) |
| As at 31 December | <u>5,670,130</u> | <u>2,812,470</u> |

17. OTHER RECEIVABLES AND PREPAYMENTS

| | 31/12/2012 USD | 31/12/2011 USD |
|-------------------|-------------------------|-------------------------|
| Prepaid expenses | 385,773 | 685,007 |
| Other receivables | 1,673,711 | 1,150,992 |
| | <u>2,059,484</u> | <u>1,835,999</u> |

18. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

| | 31/12/2012 USD | 31/12/2011 USD |
|---------------------------------------|-------------------------|-------------------------|
| Demand deposits in Vietnam Dong | 18,763 | 74,243 |
| Demand deposits in foreign currencies | 81,515 | 103,088 |
| Time deposits in Vietnam Dong | 6,858,556 | - |
| Time deposits in foreign currencies | - | 1,451,792 |
| | <u>6,958,834</u> | <u>1,629,123</u> |

19. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

| | 31/12/2012 USD | 31/12/2011 USD |
|-----------------------|---------------------------|---------------------------|
| In Vietnam Dong | 163,241,790 | 247,263,299 |
| In foreign currencies | 108,385,862 | 101,282,061 |
| | <u>271,627,652</u> | <u>348,545,360</u> |

20. DEPOSITS FROM CUSTOMERS

| | 31/12/2012 USD | 31/12/2011 USD |
|------------------------------|---------------------------|---------------------------|
| <u>In Vietnam Dong</u> | | |
| Demand deposit | 90,314,679 | 90,997,510 |
| Time deposit | 324,057,122 | 205,750,077 |
| Margin deposit | 514,420 | 876,354 |
| Capital deposit | 264,111 | 1,101,023 |
| | <u>415,150,332</u> | <u>298,724,964</u> |
| <u>In foreign currencies</u> | | |
| Demand deposit | 97,957,105 | 104,684,295 |
| Time deposit | 69,721,045 | 69,615,145 |
| Margin deposit | 2,011,641 | 1,915,625 |
| Capital deposit | 8,675,208 | 7,940,365 |
| | <u>178,364,999</u> | <u>184,155,430</u> |
| | <u>593,515,331</u> | <u>482,880,394</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

21. CERTIFICATES OF DEPOSITS AND BONDS

| | 31/12/2012 | 31/12/2011 |
|--|------------|------------|
| | <u>USD</u> | <u>USD</u> |
| Short-term certificates of deposits and bonds denominated in VND | - | 96,024,582 |

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. These certificates of deposits has been matured in 5 July 2012.

22. OTHER PAYABLES

| | 31/12/2012 | 31/12/2011 |
|---------------------------------|--------------------------|-------------------------|
| | <u>USD</u> | <u>USD</u> |
| Escrow fund | 71,136 | 100,887 |
| Provision for severance pay | - | 417,412 |
| Corporate income tax payable | 921,187 | 1,439,666 |
| Dividend declared (see note 24) | 28,000,000 | - |
| Other payables | 7,150,859 | 2,442,025 |
| | <u>36,143,182</u> | <u>4,399,990</u> |

23. OTHER PROVISIONS

Other provision presents general provision for losses on credit contingencies and commitments which was made in accordance with Decision 493 and Decision 18 issued by the State Bank of Vietnam. Accordingly, general provision as at 31 December 2012 was made at a rate of 0.75% (2011: 0.75%) of total loan contingency and commitment balance classified from Group 1 to Group 4 as at 30 November 2012.

| | 2012 | 2011 |
|--------------------------|-----------------------|-----------------------|
| | <u>USD</u> | <u>USD</u> |
| As at 1 January | 497,910 | 927,221 |
| Charge for the year | 337,182 | 121,872 |
| Less: recoveries | (376,618) | (551,183) |
| As at 31 December | <u>458,474</u> | <u>497,910</u> |

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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

24. EQUITY AND RESERVES

24.1 EQUITY

| | Charter capital USD | Reserves USD | Retained earnings USD | Total USD |
|---|---------------------------|-------------------|-----------------------------|--------------------|
| Balance as at 1/1/2011 | 165,000,000 | 12,200,612 | 11,756,863 | 188,957,474 |
| Profit for the year | - | - | 20,403,430 | 20,403,430 |
| 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 | 28,969,795 | 209,143,432 |
| Profit for the year | - | - | 12,114,201 | 12,114,201 |
| Appropriation to reserve | - | 2,038,559 | (2,038,559) | - |
| Disbursement of reserves for their intended uses | - | (227,290) | - | (227,290) |
| Declared dividend | - | - | (28,000,000) | (28,000,000) |
| Balance as at 31/12/2012 | 165,000,000 | 16,984,906 | 11,045,437 | 193,030,343 |

On its Board of Members' meeting dated 6 April 2012, the Bank's Board of Members decided to declare a dividend of USD 28,000,000 from the retained earnings in order to increase the Bank's charter capital. This dividend will be distributed between the joint venture partners in proportion to their capital contribution of 50/50. To date, the Banks is processing the necessary procedures to get the approval from State Bank of Vietnam for the increase in charter capital. Therefore, the declared dividend is still reported as other payables (see Note 22)

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 | |
|--------------------|------------------------|--------------------|------------|---------------------|--------------------|
| | 31/12/2012 USD | 31/12/2011 USD | % | 31/12/2012 USD | 31/12/2011 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 |

24.2 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 1/1/2011 | 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 |
| Appropriation to reserves | 605,710 | 1,150,849 | - | 282,000 | 2,038,559 |
| Disbursement of reserves for their intended uses | - | - | - | (227,290) | (227,290) |
| Balance as at 31/12/2012 | 5,683,436 | 10,856,442 | 199,380 | 245,648 | 16,984,906 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

25. INTEREST AND SIMILAR INCOME

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|--|--------------------------|---------------------------|
| From loans to customers | 52,359,185 | 67,759,212 |
| From placements at other credit institutions | 19,432,438 | 28,970,458 |
| From investments | 9,403,825 | 7,921,911 |
| From other credit activities | 12,546 | - |
| | <u>81,207,994</u> | <u>104,651,581</u> |

26. INTEREST EXPENSE AND SIMILAR CHARGES

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|---------------------------|--------------------------|--------------------------|
| On deposits | 31,681,604 | 32,598,878 |
| On borrowings | 12,093,289 | 22,235,475 |
| On certificate of deposit | 8,098,075 | 13,797,020 |
| Others | 421,266 | 593,400 |
| | <u>52,294,234</u> | <u>69,224,773</u> |

27. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|---|-------------------------|-------------------------|
| Net gain from dealing in foreign currencies | 1,439,737 | 3,424,011 |
| Net gain from foreign currency translation | 120,563 | 498,960 |
| | <u>1,560,300</u> | <u>3,922,971</u> |

28. CURRENT TAX EXPENSE

| | 2012 <u>USD</u> | 2011 <u>USD</u> |
|-----------------------------------|--------------------------|--------------------------|
| Profit before tax | 16,165,594 | 27,012,666 |
| Less: non-assessable income | - | (143,003) |
| Add back: non-deductible expenses | 39,979 | 34,715 |
| Assessable income | <u>16,205,573</u> | <u>26,904,378</u> |
| Tax rate | 25% | 25% |
| Current tax expense | <u>4,051,393</u> | <u>6,726,095</u> |
| Previous years surplus income tax | - | (116,860) |
| | <u>4,051,393</u> | <u>6,609,235</u> |

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

29. 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 2012 | Overdue | Non-interest bearing | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Total |
|--|-------------------|----------------------|----------------------|--------------------|--------------------|--------------------|-------------------|----------------------|
| Assets | | | | | | | | |
| Cash on hand and valuable documents | - | 7,069,054 | - | - | - | - | - | 7,069,054 |
| Deposits with the State Bank of Vietnam | - | - | 30,058,383 | - | - | - | - | 30,058,383 |
| Deposits with other credit institutions/ Lending to credit institutions (*) | - | - | 60,812,699 | 126,703,476 | 215,229,499 | 24,006,146 | - | 426,751,820 |
| Loans to customers (*) | 20,845,518 | - | - | 235,942,280 | 297,986,745 | - | - | 554,774,543 |
| Trading, available-for-sale and held-to-maturity securities (*) | - | 5,975,818 | - | - | 34,808,911 | 12,483,195 | 17,058,055 | 70,325,979 |
| Fixed assets | - | 16,353,581 | - | - | - | - | - | 16,353,581 |
| Other assets | - | 18,756,000 | - | - | - | - | - | 18,756,000 |
| Total assets | 20,845,518 | 48,154,453 | 90,871,082 | 362,645,756 | 548,025,155 | 36,489,341 | 17,058,055 | 1,124,089,360 |
| Liabilities | | | | | | | | |
| Deposits and borrowings from other credit institutions | - | - | 45,344,696 | 88,012,291 | 145,229,499 | - | - | 278,586,486 |
| Deposits from customers | - | - | 410,200,840 | 105,796,949 | 31,274,278 | 40,266,651 | 5,976,613 | 593,515,331 |
| Other liabilities | - | 45,199,584 | - | - | - | - | - | 45,199,584 |
| Total liabilities | - | 45,199,584 | 455,545,536 | 193,809,240 | 176,503,777 | 40,266,651 | 5,976,613 | 917,301,401 |
| Interest gap of balance sheet items | 20,845,518 | 2,954,869 | (364,674,454) | 168,836,516 | 371,521,378 | (3,777,310) | 11,081,442 | 206,787,959 |
| Interest gap of off balance sheet items | - | - | - | - | - | - | - | - |
| Total interest gap | 20,845,518 | 2,954,869 | (364,674,454) | 168,836,516 | 371,521,378 | (3,777,310) | 11,081,442 | 206,787,959 |

(*): the above balances exclude provision.

Interest rate sensitivity

The Bank has not performed interest sensitivity analysis for the year ended 31 December 2012 due to the insufficiency of database system.

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 2012 | VND | USD | EUR | Others | Total |
|---|---------------------|--------------------|----------------|----------------|----------------------|
| Assets | | | | | |
| Cash on hand and valuable documents | 4,799,121 | 2,260,602 | 9,331 | - | 7,069,054 |
| Deposits with the State Bank of Vietnam | 15,075,060 | 14,983,323 | - | - | 30,058,383 |
| Deposits with other credit institutions/ Lending to credit institutions (*) | 273,272,933 | 153,112,974 | 245,291 | 120,622 | 426,751,820 |
| Loans to customers (*) | 203,723,206 | 351,051,337 | - | - | 554,774,543 |
| Trading, available-for-sale and held-to-maturity securities (*) | 70,325,979 | - | - | - | 70,325,979 |
| Fixed assets | - | 16,353,581 | - | - | 16,353,581 |
| Other assets | 14,154,071 | 4,601,929 | - | - | 18,756,000 |
| Total assets | 581,350,370 | 542,363,746 | 254,622 | 120,622 | 1,124,089,360 |
| Liabilities and shareholders' equity | | | | | |
| Deposits and borrowings from other credit institutions | 170,119,108 | 108,467,378 | - | - | 278,586,486 |
| Deposits from customers | 415,140,796 | 178,155,696 | 212,308 | 6,531 | 593,515,331 |
| Other liabilities | 11,076,286 | 47,878,373 | 2,039 | 502 | 58,957,200 |
| Capital and reserves | - | 193,030,343 | - | - | 193,030,343 |
| Total liabilities and shareholders' equity | 596,336,190 | 527,531,790 | 214,347 | 7,033 | 1,124,089,360 |
| Net on-balance sheet position | (14,985,820) | 14,831,956 | 40,275 | 113,589 | - |
| Net off-balance sheet position | - | - | - | - | - |
| Total position | (14,985,820) | 14,831,956 | 40,275 | 113,589 | - |

(*): 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

30. CONTINGENT LIABILITIES AND COMMITMENTS

In normal course of business, the Bank is a party to a financial instrument which are recorded as off balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk apart from those recognized in the balance sheet.

Credit risk for off balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, and contract performance and biddings, etc. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to customers; other guarantees have risk concentration at low level.

Letter of credit (L/C) transaction is a transaction where the Bank issues financial guarantees to the customers (buyer or importer as usual) in which seller or exporter is the beneficiary. There are two type of L/C analyzed by terms: L/C at sight and usance L/C

Credit risk of L/C is limited if the Bank can manage the receipt of goods. Usance L/C represents higher risk than L/C at sight. If the Bank made payment to the beneficiary under L/C or financial guarantees but the Bank's customers did not reimburse to the Bank, the Bank has the right to record a loan to the customer under their agreement before issuing L/C or financial guarantees.

The Bank requires margin deposits to support credit-related financial instrument when it is deemed necessary. The margin deposit required varies from nil to 100% of the value of a commitment granted, depending on the credit worthiness of clients as assessed by the Bank.

Detail of contingent liabilities and commitments as at 31 December 2012 as follows:

| | 31/12/2012 | 31/12/2011 |
|----------------------------------|--------------------------|--------------------------|
| | <u>USD</u> | <u>USD</u> |
| Outstanding letters of credit | 22,384,662 | 38,606,145 |
| <i>Letter of Credit at sight</i> | <i>14,632,708</i> | <i>21,383,695</i> |
| <i>Usance Letter of Credit</i> | <i>7,751,954</i> | <i>17,222,450</i> |
| Financial guarantees | 29,262,623 | 21,248,349 |
| | <u>51,647,285</u> | <u>59,854,494</u> |

31. 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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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 (*) | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2012 USD | 31/12/2011 USD | 31/12/2012 USD | 31/12/2011 USD |
| Financial assets | | | | |
| Cash on hand and valuable documents | 7,069,054 | 8,759,393 | 7,069,049 | 8,759,393 |
| Deposits with the State Bank of Vietnam | 30,058,383 | 27,622,544 | 30,058,383 | 27,622,544 |
| Deposits with other credit institutions | 186,672,120 | 442,068,736 | 186,672,120 | 442,068,736 |
| Lending to credit institutions | 238,443,873 | - | 238,443,873 | - |
| Trading securities | 3,451,635 | 4,498,348 | 4,836,615 | 3,776,416 |
| Loans to customers | 544,511,487 | 588,749,815 | (*) | (*) |
| Investment securities | 65,015,611 | 55,711,676 | (*) | (*) |
| Other receivables | 7,729,614 | 4,648,469 | (*) | (*) |
| Accrued interest receivable | 11,026,386 | 9,846,156 | (*) | (*) |
| Financial liabilities | | | | |
| Deposits from other credit institutions | 6,958,834 | 1,629,123 | (*) | (*) |
| Borrowings from other credit institutions | 271,627,652 | 348,545,360 | (*) | (*) |
| Deposits from customers | 593,515,331 | 482,880,394 | (*) | (*) |
| Certificates of deposits and bonds | - | 96,024,582 | (*) | (*) |
| Accrued interest payable | 8,597,928 | 16,019,674 | (*) | (*) |
| Other payables | 36,143,182 | 4,399,990 | (*) | (*) |

(*) 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.

32. OPERATING LEASE ARRANGEMENTS

| | 2012 USD | 2011 USD |
|---|-------------|-------------|
| Minimum lease payments under operating leases recognized in income statement for the year | 1,731,333 | 1,743,865 |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

| | 31/12/2012 | 31/12/2011 |
|--|-------------------------|-------------------------|
| | <u>USD</u> | <u>USD</u> |
| Within one year | 1,361,774 | 1,489,259 |
| In the second to fifth years inclusive | 2,022,070 | 3,344,591 |
| After five years | 380,984 | 690,527 |
| | <u>3,764,828</u> | <u>5,524,377</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.

33. 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:

| Related parties | Relationship | Nature | 2012 | 2011 |
|-----------------------------|------------------------------|---|-------------------|---------------|
| | | | <u>USD</u> | <u>USD</u> |
| Vietinbank Fund | Related party | Purchased Nho Que's Bonds | 1,440,369 | - |
| | | Purchased Bitexco's Bonds | <u>7,201,844</u> | <u>-</u> |
| Vietinbank | Vietnamese shareholder | Borrowings | 243,902,439 | 153,755,287 |
| | | Loans to Vietinbank | 1,756,827,540 | 465,125,023 |
| | | Interest income | 7,333,705 | 2,825,077 |
| | | Interest expense | 4,474,799 | 1,866,537 |
| | | Dividend declared | 14,000,000 | - |
| | | Buying Banknetvn's shares from Vietinbank | <u>665,450</u> | <u>-</u> |
| CUB | Foreign shareholder | Borrowings | 320,000,000 | 110,000,000 |
| | | Interest expense | 586,486 | 530,199 |
| | | Dividend declared | <u>14,000,000</u> | <u>-</u> |
| CCB | Foreign shareholder's Branch | Interest expense | <u>1,186</u> | <u>837</u> |
| CUB - Representative Office | Representative Office of CUB | Interest expense | <u>47</u> | <u>41</u> |
| CUB - Hong Kong | Foreign shareholder's Branch | Borrowings | - | - |
| | | Loans to CUB-Hong Kong | 1,619,000,000 | 2,119,000,000 |
| | | Interest income | <u>15,002</u> | <u>23,559</u> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | | | |
|----------------------------|---------------------|----------------|----------------|
| Board of Executives | Remuneration | <u>294,240</u> | <u>257,857</u> |
|----------------------------|---------------------|----------------|----------------|

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

| <u>Related parties</u> | <u>Relationship</u> | <u>Nature</u> | <u>31/12/2012</u> <u>USD</u> | <u>31/12/2011</u> <u>USD</u> |
|-----------------------------|------------------------------|--|---------------------------------|---------------------------------|
| Vietinbank | Vietnamese shareholder | Deposit with Vietinbank | 196,390 | 781,299 |
| | | Borrowings | 96,024,582 | 134,434,415 |
| | | Lending | <u>218,838,103</u> | <u>189,235,644</u> |
| CUB | Foreign shareholder | Deposit with CUB | 501,632 | 789,577 |
| | | Borrowings | <u>105,000,000</u> | <u>70,000,000</u> |
| CCB | Foreign shareholder's Branch | Deposit from CCB | <u>41,820</u> | <u>112,261</u> |
| CUB - Representative Office | Representative office of CUB | Deposit from CUB Representative Office | <u>51,497</u> | <u>45,864</u> |
| CUB-Hong Kong | Foreign shareholder's Branch | Lending | <u>-</u> | <u>-</u> |



Yei-Fong Jan
General Director
 20 March 2013

Le Van Phu
First Deputy General Director

Tran Le Thuy
Chief Accountant

