



**Joint Stock Commercial Bank for
Foreign Trade of Vietnam**

Consolidated financial statements
for the year ended 31 December 2010

**Joint Stock Commercial Bank for Foreign Trade of Vietnam
Corporate Information**

Banking Licence No. 138/GP-NHNN dated 23 May 2008 issued by the State Bank of Vietnam. The banking licence was issued for a period of 99 years from the date of the banking licence.

Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Department of Planning and Investment of Hanoi People's Committee, renewed to Business Registration certificate No.0100112437 for the first time on 6 September 2010 and the second time on 2 March 2011.

Board of Directors

Mr. Nguyen Hoa Binh	Chairman	Appointed on 23 May 2008
Mr. Nguyen Phuoc Thanh	Member	Appointed on 23 May 2008
Ms. Le Thi Hoa	Member	Appointed on 23 May 2008
Ms. Nguyen Thi Tam	Member	Appointed on 23 May 2008
Ms. Le Thi Kim Nga	Member	Appointed on 23 May 2008
Mr. Pham Huyen Anh	Member	Appointed on 20 May 2009

Board of Management

Mr. Nguyen Phuoc Thanh	General Director	Appointed on 23 May 2008
Ms. Nguyen Thi Tam	Deputy General Director	Appointed on 4 June 2008
Ms. Nguyen Thu Ha	Deputy General Director	Appointed on 4 June 2008
Mr. Nguyen Van Tuan	Deputy General Director	Appointed on 4 June 2008
Mr. Dao Minh Tuan	Deputy General Director	Appointed on 4 June 2008
Mr. Pham Quang Dung	Deputy General Director	Appointed on 4 June 2008
Mr. Nguyen Danh Luong	Deputy General Director	Appointed on 1 August 2009
Mr. Dao Hao	Deputy General Director	Appointed on 2 August 2010
Mr. Pham Thanh Ha	Deputy General Director	Appointed on 2 August 2010

Chief Accountant Ms. Nguyen Thi Hoa

Legal representative Mr. Nguyen Phuoc Thanh General Director

The Bank's registered office 198 Tran Quang Khai Street
Hoan Kiem District, Ha Noi, Vietnam

The Bank's auditors KPMG Limited

	Note	31/12/2010 VND million	31/12/2009 VND million
A ASSETS			
I Cash on hand, gold, silver, gemstones	3	5,232,743	4,485,150
II Balances with the State Bank of Vietnam	4	8,239,851	25,174,674
III Balances with and loans to other credit institutions	5	79,653,830	47,456,662
1 Balances with other credit institutions		79,499,786	46,480,842
2 Loans to other credit institutions		159,666	982,218
3 Allowance for loans to other credit institutions		(5,622)	(6,398)
IV Trading securities	6	7,181	5,768
1 Trading securities		10,830	6,001
2 Allowance for diminution in the value of trading securities		(3,649)	(233)
V Derivatives and other financial assets	7	34,686	-
VI Loans and advances to customers		171,124,824	136,996,006
1 Loans and advances to customers	8	176,813,906	141,621,126
2 Allowance for loans and advances to customers	9	(5,689,082)	(4,625,120)
VII Investment securities	10	32,811,215	32,634,887
1 Available-for-sale securities		22,780,947	21,020,349
2 Held-to-maturity securities		10,329,560	12,040,643
3 Allowance for diminution in the value of investment securities		(299,292)	(426,105)
VIII Long-term investments	11	3,955,000	3,637,730
1 Investments in joint-ventures		1,563,346	1,270,718
2 Investments in associate companies		22,965	22,850
3 Other long-term investments		2,524,588	2,447,542
4 Allowance for diminution in the value of long-term investments		(155,899)	(103,380)
IX Fixed assets		1,586,004	1,505,260
1 Tangible fixed assets	12	1,178,724	1,181,841
<i>a Cost</i>		3,539,200	3,152,487
<i>b Accumulated depreciation</i>		(2,360,476)	(1,970,646)
3 Intangible fixed assets	13	407,280	323,419
<i>a Cost</i>		606,920	500,504
<i>b Accumulated amortisation</i>		(199,640)	(177,085)
XI Other assets	14	4,850,756	3,599,746
1 Receivables		1,919,777	1,565,526
2 Accrued interest and fees receivable		2,349,959	1,616,209
4 Other assets		581,020	418,011
TOTAL ASSETS		307,496,090	255,495,883

The accompanying notes are an integral part of these consolidated financial statements.

	Note	31/12/2010 VND million	31/12/2009 VND million
B			
LIABILITIES AND SHAREHOLDERS' EQUITY			
I			
Amounts due to the Government and the State Bank of Vietnam	15	10,076,936	22,578,400
II			
Deposits and borrowings from other credit institutions	16	59,535,634	38,835,516
1 Deposits from other credit institutions		53,950,694	31,977,936
2 Borrowings from other credit institutions		5,584,940	6,857,580
III			
Deposits from customers	17	204,755,949	169,071,562
IV			
Derivatives and other financial liabilities	18	-	81,843
V			
Other borrowed funds		20	19
VI			
Valuable papers issued	19	3,563,985	386,058
VII			
Other liabilities		8,774,055	7,722,844
1 Accrued interest and fees payables	20(a)	2,637,441	1,848,712
2 Deferred tax liabilities		2,088	484
3 Other liabilities	20(b)	5,124,795	5,033,207
4 Provision for contingent liabilities and off-balance sheet commitments	20(c)	1,009,731	840,441
TOTAL LIABILITIES		286,706,579	238,676,242
VIII			
Capital and reserves			
1 Capital		14,255,875	12,146,020
a Charter capital		13,223,715	12,100,860
b Share premium		987,000	-
c Other capital		45,160	45,160
2 Reserves		1,456,675	1,283,539
3 Foreign exchange differences		269,314	167,838
4 Asset revaluation difference		35,631	8,873
5 Retained profits		4,651,984	3,104,063
TOTAL SHAREHOLDERS' EQUITY	21	20,669,479	16,710,333
IX			
Minority interest		120,032	109,308
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		307,496,090	255,495,883

The accompanying notes are an integral part of these consolidated financial statements.

	Note	31/12/2010 VND million	31/12/2009 VND million
OFF-BALANCE SHEET ITEMS			
I	Contingent liabilities		
1	Lending commitments	251	-
2	Letters of credit commitments	34,540,188	31,639,498
3	Other guarantees	15,630,554	13,338,765
II	Commitments		
1	Undrawn loan commitments	1,100,805	380,811

Prepared by:

Phung Nguyen Hai Yen



Head of Financial
and Accounting Policy Department

Approved by:

Nguyen Thi Hoa



Chief Accountant



Deputy General Director

31 MAR 2011

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai, Hoan Kiem District, Hanoi
Consolidated statement of income
for the year ended 31 December 2010

Form B03/TCTD-HN
(Issued in accordance with Decision
No. 16/2007/QĐ-NHNN dated 18 April 2007
of the Governor of the State Bank of Vietnam)

		Note	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
1	Interest and similar income	22	20,580,638	15,293,558
2	Interest and similar expenses	23	(12,392,225)	(8,794,892)
I	Net interest income		8,188,413	6,498,666
3	Fee and commission income	24	1,918,540	1,372,403
4	Fee and commission expenses	24	(502,130)	(383,190)
II	Net fee and commission income	24	1,416,410	989,213
III	Net gain from trading foreign currencies	25	561,680	918,309
IV	Net gain from trading of trading securities	26	18,149	183,297
V	Net gain from sales of investment securities	27	268,381	172,876
5	Other income	28	724,527	246,689
6	Other expenses	28	(144,780)	(118,683)
VI	Net other income	28	579,747	128,006
VII	Income from investments in other entities	29	492,026	396,437
VIII	Operating expenses	30	(4,544,416)	(3,493,917)
IX	Profit before provisions and allowances for credit risks		6,980,390	5,792,887
X	Provisions and allowances for credit risks	31	(1,501,207)	(788,513)
XI	Profit before tax		5,479,183	5,004,374

The accompanying notes are an integral part of these consolidated financial statements.

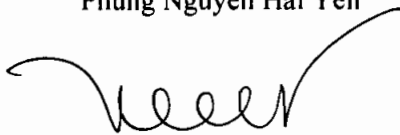
Joint Stock Commercial Bank for Foreign Trade of Vietnam
 198 Tran Quang Khai, Hoan Kiem District, Hanoi
 Consolidated statement of income
 for the year ended 31 December 2010 (continued)

Form B03/TCTD-HN
 (Issued in accordance with Decision
 No. 16/2007/QĐ-NHNN dated 18 April 2007
 of the Governor of the State Bank of Vietnam)

	Note	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million Restated
7			
7			
8			
XII			
XIII			
XIV			
XV			
XVI			

Prepared by:

Phung Nguyen Hai Yen



Head of Financial
and Accounting Policy Department

Nguyen Thi Hoa



Chief Accountant

Approved by:



Deputy General Director

31 MAR 2011

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
1 Interest and similar income received	19,846,888	15,363,180
2 Interest and similar expenses paid	(11,603,496)	(9,781,794)
3 Fee and commission income received	1,416,410	989,213
4 Net receipts from the trading activities of foreign currencies, gold and securities	904,205	1,151,756
5 Other income received/(expense paid)- net	244,707	(26,780)
6 Receipts from recovery of bad debts previously written off	334,053	147,561
7 Payments to employees and for other operating activities	(3,969,690)	(2,979,744)
8 Income tax paid	(1,336,828)	(681,015)
Net cash flow from operating activities before changes in operating assets and working capital	5,836,249	4,182,377
<i>Changes in operating assets</i>		
9 Balances with and loans to other credit institutions	1,966,969	(4,845,843)
10 Trading securities	6,045,940	10,528,995
12 Loans and advances to customers	(35,192,780)	(28,828,161)
13 Utilisation of allowance for loans and advances to customers	(306,069)	(261,711)
14 Other assets	(869,328)	(888,918)
<i>Changes in operating liabilities</i>		
15 Amounts due to the Government and the State Bank of Vietnam	(12,501,464)	13,062,767
16 Deposits and borrowings from other credit institutions	20,700,118	12,388,451
17 Deposits from customers	35,684,387	12,004,543
18 Valuable papers issued	3,177,927	(2,535,957)
19 Other borrowed funds	-	(555,225)
20 Derivatives and other financial liabilities	(196,987)	81,843
21 Other liabilities	1,114,803	(3,534,479)
22 Payments from reserves	(438,643)	(146,182)
I Net cash flow generated from operating activities	25,021,122	10,652,500

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
1	(543,493)	(545,666)
2	1,536	7,463
3	(443)	(238)
7	(503,980)	(455,942)
8	292,195	93,188
9	138,726	160,681
II	(615,459)	(740,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
1	1,122,855	-
4	(1,452,103)	(768,460)
III	(329,248)	(768,460)
IV	24,076,415	9,143,526
V	72,601,931	63,458,405
VII	96,678,346	72,601,931
	(Note 33)	

Prepared by:

Phung Nguyen Hai Yen



Head of Financial
and Accounting Policy Department

Nguyen Thi Hoa



Chief Accountant

Approved by:



Deputy General Director

31 MAR 2011

The accompanying notes are an integral part of these consolidated financial statements.

These notes form an integral part of, and should be read in conjunction with, the accompanying consolidated financial statements.

1. Reporting entity

(a) Establishment and operations

Joint Stock Commercial Bank for Foreign Trade of Vietnam ("the Bank") was established upon the transformation from a state-owned commercial bank following the approval of the Prime Minister on the equitisation plan of the Bank for Foreign Trade of Vietnam and in accordance with relevant regulations. The Bank was granted Banking Licence No. 138/GP-NHNN dated 23 May 2008 by the State Bank of Vietnam ("the SBV") for a period of 99 years and Business Registration Certificate No. 0103024468 dated 2 June 2008 by the Department of Planning and Investment of Hanoi People's Committee. Business Registration certificate No.0100112437 was renewed for the first time on 6 September 2010 and the second time on 2 March 2011.

The principal activities of the Bank are to mobilise and receive short, medium and long-term deposit funds from organisations and individuals; to lend to organisations and individuals up to the nature and ability of the Bank's capital resources; to conduct settlement and cash services; and to provide other banking services as approved by the SBV; to invest in associates, joint-ventures and other companies; to invest in bonds and to trade in foreign exchange in accordance with prevailing regulations.

(b) Charter capital

Under Banking Licence No. 138/GP-NHNN dated 23 May 2008 issued by the SBV and Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by the Department of Planning and Investment of Hanoi People's Committee, the Bank's charter capital is VND12,100,860,260,000. Under Business Licence No.0100112437 which was renewed for the first time on 6 September 2010, the Bank's charter capital is VND13,223,714,520,000. The face value per share is VND10,000.

	31/12/2010		31/12/2009	
	Number of shares	%	Number of shares	%
Shares owned by the State of Vietnam	1,199,666,918	90.72%	1,097,800,600	90.72%
Shares owned by others	122,704,534	9.28%	112,285,426	9.28%
	<u>1,322,371,452</u>	<u>100%</u>	<u>1,210,086,026</u>	<u>100%</u>

(c) Information on the equitisation of the Bank

The Bank for Foreign Trade of Vietnam was equitised under Decision No. 1289/QĐ-TTg dated 26 September 2007 of the Prime Minister regarding the approval of the equitisation plan of the Bank for Foreign Trade of Vietnam. The enterprise value and the bid price of its share are in accordance with Decision 2900/QĐ-NHNN dated 30 November 2007 issued by the SBV. On 26 December 2007, the Bank for Foreign Trade of Vietnam conducted an Initial Public Offering.

The equitisation process of the Bank for Foreign Trade of Vietnam was implemented in accordance with Decree 109/2007/ND-CP dated 26 June 2007 issued by the Government and Circular 146/2007/TT-BTC dated 6 December 2007 issued by the Ministry of Finance ("the MoF") on equitisation program for 100% state owned entities. The SBV is the authority responsible for the equitisation of the Bank for Foreign Trade of Vietnam. Therefore, the SBV is the authorised body to announce the enterprise value and approve the finalisation of financial issues, costs relating to the equitisation, financial support paid to redundant employees, proceeds received from issuance of shares during the equitisation process and the value of the capital portion belonging to the State as at the time when the Bank received its Business Registration Licence.

On 3 April 2009, the SBV issued Official Letter No 2347/NHNN-CNH, notifying the necessary preparation work to be completed and the unit to be in charge of conducting the finalisation of financial issues and hand-over of resources between the Bank for Foreign Trade of Vietnam and the Bank.

As at 31 December 2010 and at the approval date of these consolidated financial statements, the finalisation of the Bank's equitisation and the handover of resources has not been completed. As such, any adjustments, which may arise from the finalisation of the equitisation, have not been determined.

(d) Locations and network

The Bank's Head Office is located at 198 Tran Quang Khai Street, Hoan Kiem District, Ha Noi. As at 31 December 2010, the Bank has one (1) Head Office, one (1) Operations Centre, one (1) Training Centre and seventy one (71) branches nationwide, three (3) local subsidiaries, two (2) overseas subsidiaries, four (4) joint ventures, two (2) associates and one (1) overseas representative office located in Singapore.

The Bank and its subsidiaries hereinafter are referred as "Vietcombank".

(e) Subsidiaries

<i>Subsidiary</i>	<i>Operating Licence</i>	<i>Nature of business</i>	<i>% direct shareholding by the Bank</i>
Vietcombank Financial Leasing Company Limited ("VCB Leasing")	Operating Licence No. 05/GP-CTCTTC dated 25 May 2009 granted by the SBV	Finance & non-banking	100%
Vietcombank Securities Company Limited ("VCB Securities")	Operating Licence No. 09/GPHDKD dated 24 April 2002 and Licence No. 12/GPHDLK dated 23 May 2002 granted by the State Securities Commission	Capital market, securities brokerage and investment and financial advisory	100%
Vietcombank Tower 198 Company Limited ("VCB Tower")	Investment Licence No. 1578/GP dated 30 May 1996 and No. 1578/GPDC1 dated 18 April 2006 granted by the Ministry of Planning and Investment	Office leasing	70%
Vietnam Finance Company Limited ("Vinafico")	Investment No. 05456282 issued in 1987 by the Hong Kong Monetary Authority	Finance & non-banking	100%
VCB-Money Incorporation	Business Licence No. E0321392009-6 dated 15 June 2009 granted by Authority of Nevada State, United States of America	Remittance	75%

(f) Number of employees

As at 31 December 2010, Vietcombank has 11,415 employees (31 December 2009: 10,401 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by Vietcombank in the preparation of these consolidated financial statements.

(a) Basis of financial statement preparation

The consolidated financial statements, expressed in Vietnam Dong (“VND”) rounded to the nearest million (“VND million”), have been prepared in accordance with Vietnamese Accounting Standards (“VAS”), the Vietnamese Accounting System for Credit Institutions stipulated by the SBV and the relevant statutory requirements. The Bank also prepared the separate financial statements for the year ended 31 December 2010.

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method. The accounting policies have been consistently applied by Vietcombank during the year. Except for points as described in Note 2(j)(i), 2(m)(iv), 2(n)(iii) and 2(g), Vietcombank has consistently applied the accounting policies for the year ended 31 December 2009.

(b) Fiscal year

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

(c) Foreign currency transactions

The Bank maintains its accounting system and records all transaction in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the ruling inter-bank exchange rates prevailing on the balance sheet date. Non-monetary foreign currency assets and liabilities are reported using the exchange rate effective at the date of the transaction. Income and expenses in foreign currencies are translated into VND at exchange rates at the dates of the transactions.

Foreign exchange differences arising from revaluation of foreign currency trading activities are recorded in the consolidated statement of income.

For the purpose of accounting for the investments in associates and joint-ventures using the equity method and full consolidation of subsidiaries into the consolidated financial statements, assets and liabilities and equity accounts of these companies are translated into VND at the spot rate of exchange ruling at the balance sheet date, and the consolidated statement of income is translated at the average exchange rate for the year. The exchange differences arising on the translation are taken to equity in the consolidated balance sheet.

(d) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances, transactions and profit/loss on transactions between those companies and the Bank are eliminated. The accounting policies of subsidiaries have been changed where necessary to ensure the consistency with the policies adopted by the Bank.

(ii) Minority interest

Minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the Bank.

(iii) Associates and joint ventures

Associates are those entities in relation to which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds from 20 to 50 percent of the voting power of a certain entity. Joint ventures are those entities over whose activities the Bank has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Bank uses the equity method for consolidating its investments in associates and joint ventures in the consolidated financial statements. The Bank's share of its associates' and joint-ventures' post acquisition profits or losses is recognised in the consolidated statement of income. When the Bank's share of losses in an associates and joint ventures equals or exceeds the carrying amount of its investment in the associates and joint ventures, the Bank does not recognise further losses in its consolidated financial statements, unless it has obligations to pay on behalf of the associates and joint ventures. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Bank.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold, balances with the SBV, Government promissory notes and other valuable papers which are eligible for discounting, balances with other credit institutions and investment securities with original terms to maturity not exceeding three months.

Gold is revalued at the balance sheet date and the differences arising on revaluation is recorded in the consolidated statement of income.

(f) **Investments**

(i) **Classification**

Trading securities

Trading securities are defined as debt securities or equity securities, which are bought and held for the purpose of reselling within one year to gain profit on changes in price.

Investment securities

Investment securities are classified into two categories: available-for-sale and held-to-maturity investment securities. Vietcombank classifies investment securities at their purchase dates. In accordance with the Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 by SBV, Vietcombank is allowed to reclassify investment securities once after the purchase date.

Available-for-sale investment securities

Available-for-sale investment securities are defined as debt securities, equity securities or other securities, which are acquired for an indefinite period and may be sold at any time.

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities, with fixed or determinable payments and maturities where Vietcombank's management has the positive intention and ability to hold until maturity.

Capital contribution and long-term investments

Investments in associates and joint-ventures

Associates are those entities in relation to which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds from 20 to 50 percent of the voting power of a certain entity. Joint ventures are those entities over whose activities the Bank has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Other long-term investments

Other long-term investments include equity securities and other long term capital contributions whose holding, withdrawing or paying term is for more than 1 year (at the exclusion of capital contributions, investments into joint-ventures and associates).

(ii) **Recognition**

Vietcombank recognises investment in securities and other long-term investments on the date it becomes a party to the effective contractual provisions of the investments (trade date accounting).

(iii) Measurement

Trading securities are initially recognized at cost of acquisition. They are subsequently measured at the lower of carrying value and market value. Gains or losses from the disposal of trading securities are recognized in the consolidated statement of income.

Investment securities are initially stated at cost of acquisition. They are subsequently measured at the lower of cost and market value. Premiums and discounts arising from purchases of debt securities are amortised to the consolidated statement of income using straight-line basis over the period from the acquisition dates to maturity date.

Investment in associates, and joint-ventures are accounted for using the equity method and are recognised initially at cost; and subsequently are accounted for using equity method.

Other long term investments are initially recognized at cost. Cost is determined on a weighted average basis. They are subsequently stated at cost less allowance for diminution in their values.

In accordance with Circular 12/2006/TT-BTC issued by the MoF on 21 February 2006, credit institutions are required to make an allowance for long term investments (including allowance for diminution of investment in securities) in accordance with regulations applicable to enterprises.

(iv) De-recognition

Investments in securities are derecognised when the rights to receive cash flows from the investments have expired or Vietcombank has transferred substantially all risks and rewards of ownership.

(g) Loans and advances to customers

Loans and advances to customers are stated on consolidated balance sheet at outstanding principal less allowances for credit risk.

In accordance with decision No. 493/2005/QD-NHNN dated 22 April 2005 issued by the SBV ("Decision 493"), which was amended and supplemented by Decision No. 18/2007/ QD-NHNN dated 25 April 2007 issued by the SBV ("Decision 18"), specific allowance for credit risk is calculated on loan grading and corresponding allowance rate against principal outstanding as at 30 November less allowed value of collateral as follows:

	<i>Allowance rate</i>
Group 1 – Current	0%
Group 2 – Special mentioned	5%
Group 3 – Sub-standard	20%
Group 4 – Doubtful	50%
Group 5 – Loss	100%

In addition, Vietcombank is required to make a general allowance of 0.75% of outstanding loans that are classified from Group 1 to Group 4 as at the balance sheet date. Such general allowance is required to be made in full within 5 years from the effective date of Decision 493. As at 31 December 2010, Vietcombank provided a general allowance of 0.75% of the above balances as at 30 November 2010 (31 December 2009: 0.75% of the above balances as at 30 November 2009).

Effective from the year ended 31 December 2010, the Bank has applied Article 7 of Decision 493 to reclassify loans and advances as at 31 December 2010 based on qualitative and quantitative factors. This loan and advance classification method was approved by the SBV in the Official Letter No.3937/NHNN – TTGSNH dated 27 March 2010.

In accordance with the requirements of Decision 493, loans and advances are written off against allowance when loans and advances have been classified to Group 5 or when borrowers have declared bankruptcy or dissolved (for organisations, enterprises) or borrowers are dead or missing (for individuals).

(h) Provision for off-balance sheet commitments

In accordance with Decision 493 and Decision 18, Vietcombank is required to classify guarantees, acceptances, undrawn loan commitments into 5 groups (Note 2(g)) and make specific provisions accordingly).

In addition, Vietcombank is required to make a general provision of 0.75% of total outstanding letters of guarantee, letters of credit, and commitment of financing to customers as at the consolidated balance sheet date. Such general provision is required to be made in full within 5 years from the effective date of Decision 493. As at 31 December 2010, Vietcombank provided a general provision of 0.75% of the above balances as at 30 November 2010 (31 December 2009: 0.75% of the above balances as at 30 November 2009).

(i) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which they are located. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to statement of income in the year in which the costs are incurred. In case it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

• premises	25 years
• office furniture, fittings and equipment	3-5 years
• motor vehicles	6 years
• others	4 years

(j) Intangible fixed assets

(i) Land use rights

Land use rights are the land transferred upon payments of land use fee. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

In accordance with Circular 203/2009/TT-BTC dated 20 October 2009 by the Ministry of Finance, effective from 1 January 2010, intangible fixed assets which are land use rights are not amortised.

(ii) Other intangible fixed assets

Copyrights and patents and other intangible fixed assets are amortised on a straight-line basis over 4 years.

(k) Deposits and certificates of deposits

Deposits and certificates of deposits are stated at cost.

(l) Provision for severance allowance

Under the Vietnamese Labour Code, when employees who have worked for the Bank and its subsidiaries in Vietnam for 12 months or more (“eligible employees”) voluntarily terminates their labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees’ compensation at termination. Provision for severance allowance has been provided at 3% of the basic salary fund which is used for calculating Social Insurance contribution of the Bank and its subsidiaries in Vietnam.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Bank, its subsidiaries in Vietnam and their employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary or 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, the Bank and its subsidiaries in Vietnam are no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees’ years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

(m) Capital and reserves

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in equity.

(iii) Treasury shares

When Vietcombank repurchases its own issued share, the total paid amount which includes directly attributable costs, net off any tax effects, is recognised as a deduction from equity and referred to as treasury shares.

(iv) Reserves

Reserves are for specific purposes and distributed from net profit after tax excluding net gain from revaluation of gold, trading foreign currencies and derivatives ("net profit for appropriation to reserves") at prescribed rates as below:

- Supplementary chartered capital reserve: 5% of net profit for appropriation to reserves and does not exceed 10% of the Bank's charter capital.
- Financial provision reserve: 10% of net profit for appropriation to reserves and does not exceed 25% of the Bank's charter capital.
- Bonus and welfare funds: not exceeding 3 month salary expense under the Official Letter No.7426/NHNN-TCCB dated 24 September 2009 of the SBV. Prior to 1 January 2010, bonus and welfare funds were recorded in capital and reserves. From 1 January 2010, in accordance with Circular No. 244/2009/TT-BTC issued by Ministry of Finance dated 31 December 2009 to provide guidance on amending, supplementing Vietnamese Accounting System, the Bank reclassified bonus and welfare funds from capital and reserves to internal payables.

These reserves are to be made upon decision of the Shareholders' meeting and in accordance with regulations of the Law.

The remaining of the net profit after tax, after allocation to reserves and dividend, is recorded as retained profits of the Bank.

Vietcombank Securities Company Limited sets up reserves in accordance with Circular 24/2007/TT-BTC issued by the MoF on 27 March 2007.

(n) Revenue

(i) Interest income

Interest income of outstanding loans classified in Group 1 is recognised in the consolidated financial statement on an accrual basis. Interest on loans classified in Group 2 to Group 5 as defined in Note 2(g) is recognised upon receipt.

(ii) Fees, commissions and dividend income

Fees and commissions are recognised on an accrual basis. Dividends receivable in cash from investment activities is recognised in the consolidated statement of income when Vietcombank's right to receive payment is established.

(iii) Dividends received in the form of shares

In accordance with Circular No. 244/2009/TT-BTC dated 31 December 2009, effective from 1 January 2010, dividends and other receipts in form of shares which are distributed by joint-stock companies from sources other than retained profits, are not recorded in the consolidated financial statements but only recognised as an increase in the number of shares held by the Bank instead.

For the year ended 31 December 2009, dividends received in form of shares, bonus shares and rights to purchase shares of the existing shareholders, dividends received by the Bank in form of shares distributed from retained profits were recorded as an increase in the value of the investment and an income in the consolidated statement of income.

(iv) Interest subsidy

During the year, the Bank has implemented policies of the Government and the SBV on interest subsidy program in which the qualified customers were subsidised interest rates on loans granted by the Bank. The interest income portion representing the subsidised interest rates was recorded as receivable from the State Budget.

(o) Interest expense

Interest expense is recorded on an accrual basis.

(p) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

(q) Earnings per share

Vietcombank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Vietcombank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the adjusted profit or loss attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares.

(r) Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated by using the balance sheet method, providing for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Related parties

Entities and individuals, directly or indirectly through one or more intermediaries, which control, or are controlled by, or are under common control with the Bank and its subsidiaries are related parties of the Bank. Associates and individuals, directly or indirectly owning the voting power of the Bank and its subsidiaries that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Government of Vietnam, through the SBV (2009: the State Capital Investment Corporation), is the major shareholder of the Bank. Therefore, in these consolidated financial statements, the only two Government agencies considered as related parties of the Bank are the MoF and the SBV.

(t) Segment reporting

A segment is a distinguishable component of Vietcombank engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards different from those of other segments. Vietcombank's primary format for segment reporting is based on geographical segment. Vietcombank's secondary format for segment reporting is based on business segment.

(u) Off-balance sheet items

(i) Foreign exchange contracts

Vietcombank enters into foreign exchange forwards and swaps contracts which enable customers to transfer, modify or reduce their foreign exchange risk or other market risks and simultaneously are used for business purpose of Vietcombank.

Forward contracts are commitments to either purchase or sell a designated currency at a specific future date for a specific exchange rate and settled in cash. Forward contracts are recorded at nominal value on the balance sheet at the transaction date and are subsequently revalued at exchange rate at the year end. Realised or unrealised gain or loss is recognised in the consolidated statement of income.

Swap contracts are commitments to settle in cash at a future date based on differences among specified exchange rates calculated on notional principal amount. Swap contracts are subsequently revalued on the balance sheet date; the difference on revaluation is recognised in the consolidated statement of income.

(ii) Commitments and contingent liabilities

The Bank has credit commitments arising from its regular lending activities. These commitments are unutilised loans and overdraft facilities which are approved. The Bank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the contingent liabilities and commitments will expire without any advanced payment, in whole or in part. Therefore these commitments and contingent liabilities do not represent expected future cash flows.

3. Cash, gold, silver and gemstones on hand

	31/12/2010 VND million	31/12/2009 VND million
Cash on hand in VND	3,238,396	2,768,590
Cash on hand in foreign currencies	1,462,824	1,328,320
Valuable papers in foreign currencies	13,396	10,416
Gold	518,127	377,824
	5,232,743	4,485,150

4. Balances with the State Bank of Vietnam

	31/12/2010 VND million	31/12/2009 VND million
Demand deposits in VND	3,058,043	7,491,646
Demand deposits in USD	5,181,808	17,683,028
	8,239,851	25,174,674

These consist of a compulsory reserve for liquidity and a current account.

Under the SBV's regulations on the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirements ("CRR").

The monthly average balance of the reserves must not be less than CRR rates multiply with preceding month's average balances of deposits.

The effective CRR rates at the year end were as follows:

Type of deposits	31/12/2010	31/12/2009
Deposits in VND with term of less than 12 months	3%	3%
Deposits in VND with term of and more than 12 months	1%	1%
Deposits in foreign currencies with term of less than 12 months	4%	7%
Deposits in foreign currencies with term of and more than 12 months	2%	3%

Effective annual interest rates at the year end were as follows:

	31/12/2010	31/12/2009
Compulsory reserve in VND	1.2%	1.2%
Compulsory reserve in USD	0%	0%
Demand deposits in VND	0%	0%
Demand deposits in USD	0.1%	0.1%

5. Balances with and loans to other credit institutions

	31/12/2010 VND million	31/12/2009 VND million
Balances with other credit institutions		
Demand deposits in VND	79,097	135,185
Demand deposits in foreign currencies	13,361,116	10,807,667
Term deposits in VND	36,267,312	10,111,700
Term deposits in foreign currencies	29,792,261	25,426,290
	79,499,786	46,480,842
Loans to other credit institutions		
Loans in VND	150,200	534,189
Loans in foreign currencies	9,466	448,029
	159,666	982,218
Allowance for loans to other credit institutions	(5,622)	(6,398)
	154,044	975,820
	79,653,830	47,456,662

Details of allowances for loans to other credit institutions comprise of:

	31/12/2010 VND million	31/12/2009 VND million
General allowance	1,132	6,398
Specific allowance	4,490	-
Closing balance	5,622	6,398

Movements in general allowance for loans to other credit institutions were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	6,398	9,369
Reversal of general allowance during the year (Note 31)	(5,266)	(2,971)
Closing balance	1,132	6,398

Movements in specific allowance for loans to other credit institutions were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Allowance made during the year and closing balance (Note 31)	4,490	-

Effective annual interest rates at the year end were as follows:

	31/12/2010	31/12/2009
Demand deposits in VND	0%	0%
Demand deposits in foreign currencies	0%	0%
Term deposits in VND	10.5% - 13.5%	9.8% - 12%
Term deposits in foreign currencies	0.8% - 5.8%	0.07% - 5%
Loans in VND	11.5% - 13.2%	8.1% - 12%
Loans in foreign currencies	2% - 5.5%	0.5% - 6.2%

6. Trading securities

Listing status of trading securities was as follows:

	31/12/2010 VND million	31/12/2009 VND million
Equity securities		
Listed	10,830	6,001

Movements in allowance for diminution in value of trading securities were as follow:

	Year ended 31/12/2010 VND million	Year ended 31/12/2010 VND million
Opening balance	233	94,655
Allowance/(Reversal) made during the year (Note 26)	3,416	(94,422)
Closing balance	3,649	233

7. Derivatives and financial assets

	31/12/2010		31/12/2009	
	Contract notional value VND million	Carrying value VND million	Contract notional value VND million	Carrying value VND million
Derivatives				
Currency swap contracts	785,568	24,250	-	-
Currency forward contracts	145,704	10,436	-	-
	931,272	34,686	-	-

8. Loans and advances to customers

	31/12/2010 VND million	31/12/2009 VND million
Loans to local corporations and individuals	174,288,885	139,628,737
Discounted bills and valuable papers	1,184,880	911,080
Finance leases	1,190,898	1,044,858
Loans given to make payments on behalf of customers	149,243	6,745
Loans to foreign individuals and enterprises	-	29,706
	176,813,906	141,621,126

Loan portfolio by loan group was as follows:

	31/12/2010 VND million	31/12/2009 VND million
Current	154,293,019	130,088,700
Special mentioned	17,515,340	8,033,742
Sub-standard	1,022,348	440,649
Doubtful	300,389	394,977
Loss	3,682,810	2,663,058
	176,813,906	141,621,126

Loan portfolio by term was as follows:

	31/12/2010 VND million	31/12/2009 VND million
Short - term	94,715,390	73,706,171
Medium - term	20,682,088	18,173,642
Long - term	61,416,428	49,741,313
	176,813,906	141,621,126

Loan portfolio by type of borrowers was as follows:

	31/12/2010 VND million	31/12/2009 VND million
State owned companies	61,249,054	56,228,609
Limited companies	32,851,968	21,992,871
Foreign invested enterprises	9,744,238	11,495,821
Co-operative and private companies	6,510,681	6,190,863
Individuals	18,709,093	13,676,950
Others	47,748,872	32,036,012
	176,813,906	141,621,126

Loan portfolio by industry sectors was as follows:

	31/12/2010 VND million	31/12/2009 VND million
Construction	10,479,503	11,144,304
Electricity, gas, water supplying	14,158,727	8,125,594
Processing and manufacturing	63,622,119	54,568,332
Mining	11,454,950	8,831,119
Agriculture, forestry and aquaculture	2,071,144	1,944,886
Transportation, logistics and communication	12,167,693	10,416,625
Trading and service	38,862,585	35,928,224
Hospitality	3,969,130	3,042,568
Other industries	20,028,055	7,619,474
	176,813,906	141,621,126

Effective annual interest rates at the year end were as follows:

	31/12/2010	31/12/2009
Loans and advances in VND	12% - 18%	7.3% - 20.5%
Loans and advances in USD	2% - 12%	4% - 11.6%

9. Allowance for loans and advances to customers

	31/12/2010 VND million	31/12/2009 VND million
General allowance	1,278,370	1,072,050
Specific allowance	4,410,712	3,553,070
	5,689,082	4,625,120

Movements in general allowance for loans and advances to customers were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	1,072,050	761,510
Allowance made during the year (Note 31)	198,502	297,245
Foreign exchange difference	7,818	8,071
Others	-	5,224
Closing balance	1,278,370	1,072,050

Movements in specific allowance for loans and advances to customers were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	3,553,070	3,413,832
Allowance made during the year (Note 31)	1,161,792	403,959
Allowance utilised for writing off bad debt during the year	(306,069)	(261,711)
Foreign exchange difference	1,919	2,214
Others	-	(5,224)
Closing balance	4,410,712	3,553,070

10. Investment securities

(a) Available-for-sale securities

	31/12/2010 VND million	31/12/2009 VND million
Debt securities		
Government bonds	8,106,576	11,070,652
Issued by local credit institutions	13,451,842	9,836,153
Issued by local economic entities	1,222,529	-
Equity securities		
Issued by local credit institutions	-	94,997
Issued by local economic entities	-	18,547
	22,780,947	21,020,349
Allowance for diminution in value of available-for-sale securities	(299,292)	(86,896)
	22,481,655	20,933,453

As at 31 December 2010, Government bonds amounted to VND1,000 billion (31 December 2009: VND5,750 billion) were pledged with the SBV as the security for borrowings from the SBV (Note 15).

Movements in allowance for diminution in value of available-for-sale securities were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	86,896	337,912
Allowance/ (Reversal) made during the year (Note 27)	212,396	(251,016)
Closing balance	299,292	86,896

(b) Held-to-maturity securities

	31/12/2010 VND million	31/12/2009 VND million
Government bonds	2,433,659	2,350,000
Debt securities issued by local credit institutions	773,374	531,354
Debt securities issued by foreign entities	-	2,691,150
Investments trusted to a foreign fund manager (i)	6,594,442	6,265,215
Investments trusted to a local fund manager (ii)	528,085	202,924
	10,329,560	12,040,643
Allowance for diminution in value of held to maturity securities	-	(339,209)
	10,329,560	11,701,434

(i) Investments trusted to a foreign fund manager

This represents an investment with an original amount of USD350 million managed by Pacific Investment Management Company (“PIMCO”), a company based in Newport Beach (the United States of America) and established PIMCO Asia Limited in Hong Kong, which signed the investment management agreement with the Bank on 1 June 2007.

As at 31 December 2010 and 31 December 2009, the investments comprised of debt securities including corporate bonds, certificate of deposits issued by foreign credit institutions, and US government bonds.

As at 31 December 2010, corporate bonds amounting to VND5,922 billion were pledged as security for a borrowing of the Bank from other credit institutions amounted to VND4,733 billion (Note 16).

Movements in allowance for diminution in value of these investments were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	339,209	-
Allowance made during the year	-	339,209
Allowance reversed during the year (Note 27)	(339,209)	-
Closing balance	-	339,209

(ii) Trusted investment for foreign entities

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Investment trusted to Vietcombank Fund Management Joint Venture Company (“VCBF”)	528,085	202,924

11. Long-term investments

(a) Investments in joint-ventures

As at 31 December 2010

	Nature of business	% share- holding	At cost VND million	At carrying value VND million
ShinhanVina Bank	Bank	50%	589,390	961,709
Vietcombank-Bonday-Benthanh Joint Venture Company Limited	Office rental	52%	276,067	276,789
Vietcombank Fund Management Joint Venture Company	Investment fund management	51%	28,050	43,435
Vietcombank-Cardiff Life Insurance Company Limited	Life insurance	45%	270,000	281,413
			1,163,507	1,563,346

As at 31 December 2009

	Nature of business	% share- holding	At cost VND million	At carrying value VND million
ShinhanVina Bank	Bank	50%	484,340	778,348
Vietcombank-Bonday-Benthanh Joint Venture Company Limited	Office rental	52%	144,760	152,953
Vietcombank Fund Management Joint Venture Company	Investment fund management	51%	19,381	47,926
Vietcombank-Cardiff Life Insurance Company Limited	Life insurance	45%	270,000	291,491
			918,481	1,270,718

The Bank owns 52% and 51% of the total capital of the Vietcombank-Bonday-Ben Thanh Joint Venture Company Limited and Vietcombank Fund Management respectively. However, the companies' charters require a consensus among related parties on all important decisions on the companies' operational and financial matters. Therefore, owning more than half of the companies' capital does not mean that the Bank has control over these companies. Therefore, the investments in the above companies are classified into "Investment in joint ventures" rather than "Investment in subsidiaries".

The Bank owns 45% of the total capital of Vietcombank-Cardiff Life Insurance Company Limited. However, the companies' charters require a consensus among related parties on all important decisions on the companies' operational and financial matters. Therefore, the investments in the above companies are classified into "Investment in joint ventures" rather than "Investment in associates".

(b) Investments in associate companies

As at 31 December 2010

	Nature of business	% share- holding	At cost VND million	At carrying value VND million
Vietcombank-Bonday Joint Venture Company Limited	Office rental	16%	30,934	11,061
Vietcombank Partners Fund 1	Investment fund	11%	16,500	11,904
			47,434	22,965

As at 31 December 2009

	Nature of business	% share- holding	At cost VND million	At carrying value VND million
Vietcombank-Bonday Joint Venture Company Limited	Office rental	16%	30,934	15,117
Vietcombank Partners Fund 1	Investment fund	11%	16,500	7,733
			47,434	22,850

The Bank has significant influence but no control, through its participation in the Board of Directors and the Fund Representative Board of these respective parties, over the financial and operational policies of these companies. Therefore, the investments in the above companies are classified in "Investments in associates" rather than "Other long-term investments".

(c) **Other long-term investments**

As at 31 December 2010

	Nature of business	% share- holding	VND million
Vietnam Export-Import Commercial Joint Stock Bank	Bank	8.19%	582,065
Saigon Bank for Industry and Trade	Bank	5.26%	123,452
Military Commercial Joint Stock Bank	Bank	11%	966,642
Gia Dinh Joint Stock Commercial Bank	Bank	3.83%	116,833
Orient Commercial Joint Stock Bank	Bank	4.67%	137,907
Central Peoples's Credit Fund	Credit Fund	0.37%	5,000
Small & Medium Enterprises Credit Guarantee Fund	Credit services	0.93%	1,800
SWIFT, MASTER and VISA	Card and settlement services	-	761
Petrolimex Insurance JSC	Insurance	10%	67,900
PV Drilling JSC	Drilling	2.56%	55,945
Gentraco JSC	Food services	3.80%	4,024
Ho Chi Minh City Infrastructure Investment	Construction	1.78%	13,676
Nha Rong Insurance Company	Insurance	3.72%	12,540
Saigon Postel Company	Tele-communication	3.79%	138,072
PVTRANS Pacific JSC	Drilling	10%	120,000
PCB Investment Company	Transportation Credit information services	6.36%	3,181
Cement Financial JSC	Financial services	10.91%	70,950
Vietnam Infrastructure Development and Finance Investment JSC	Highway investment	1.5%	75,000
Vietcombank Real Estate JSC	Real estate	11%	11,000
Smartlink Card	Card services	8.8%	4,400
FNBC	Media services	10%	13,440
			2,524,588
Allowance for diminution in the value of investments			(155,899)
			2,368,689

As at 31 December 2009

	Nature of business	% share- holding	VND million
Vietnam Export-Import Commercial Joint Stock Bank	Bank	8.76 %	632,065
Saigon Bank for Industry and Trade	Bank	6.63 %	93,408
Military Commercial Joint Stock Bank	Bank	11 %	812,642
Gia Dinh Joint Stock Commercial Bank	Bank	15.11 %	238,300
Orient Commercial Joint Stock Bank	Bank	6.9 %	137,907
Central Peoples's Credit Fund	Credit Fund	0.37 %	5,000
Small & Medium Enterprises Credit Guarantee Fund	Credit services	0.93 %	1,800
SWIFT, MASTER and VISA	Card and settlement services	-	761
Petrolimex Insurance JSC	Insurance	10 %	34,300
PV Drilling JSC	Drilling	3.04 %	66,385
Gentraco JSC	Food services	3.89 %	4,024
Ho Chi Minh City Infrastructure Investment	Construction	1.78 %	13,676
Nha Rong Insurance Company	Insurance	7.5 %	12,540
Saigon Postel Company	Tele-communication	3.85 %	138,072
PVTRANS Pacific JSC	Drilling	10 %	120,000
PCB Investment Company	Transportation Credit information services	1.9 %	380
Cement Financial JSC	Financial services	11 %	33,000
Vietnam Infrastructure Development and Finance Investment JSC	Highway investment	1.5 %	75,000
Vietcombank Real Estate JSC	Real estate	11 %	11,000
Smartlink Card	Card services	8.8 %	3,842
FNBC	Media services	10%	13,440
			2,447,542
Allowance for diminution in the value of investments			(103,380)
			2,344,162

Movements in allowance for diminution in the value of other long-term investments were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	103,380	102,976
Allowance made during the year (Note 30)	52,519	404
Closing balance	155,899	103,380

12. Tangible fixed assets

	Premises	Office furniture, fittings and equipment	Motor Vehicles	Others	Total
	VND million	VND million	VND million	VND million	VND million
Cost					
Opening balance	620,957	2,029,561	270,702	231,267	3,152,487
Additions	110,484	215,824	36,755	40,513	403,576
- Purchases	132,363	188,922	36,755	40,227	398,267
- Others	(21,879)	26,902	-	286	5,309
Decreases	(601)	(33,991)	(4,347)	(6,216)	(45,155)
- Disposal	(664)	(33,388)	(4,347)	(5,886)	(44,285)
- Others	63	(603)	-	(330)	(870)
Foreign exchange difference	20,262	7,937	46	47	28,292
Closing balance	751,102	2,219,331	303,156	265,611	3,539,200
Accumulated depreciation					
Opening balance	236,172	1,467,775	137,372	129,327	1,970,646
Additions	27,861	317,654	37,008	36,071	418,594
- Charge for the year	28,476	317,409	37,008	36,103	418,996
- Others	(615)	245	-	(32)	(402)
Decreases	(365)	(33,610)	(4,347)	(5,867)	(44,189)
- Disposal	(365)	(33,308)	(4,347)	(5,867)	(43,887)
- Others	-	(302)	-	-	(302)
Foreign exchange difference	7,365	7,897	40	123	15,425
Closing balance	271,033	1,759,716	170,073	159,654	2,360,476
Net book value					
Opening balance	384,785	561,786	133,330	101,940	1,181,841
Closing balance	480,069	459,615	133,083	105,957	1,178,724

13. Intangible fixed assets

	Land use right	Copyrights and patents	Others	Total
	VND million	VND million	VND million	VND million
Cost				
Opening balance	288,700	132,697	79,107	500,504
Additions	58,801	63,529	-	122,330
- Purchases during the year	81,697	63,529	-	145,226
- Others	(22,896)	-	-	(22,896)
Decreases	(17,270)	-	(10)	(17,280)
- Disposal	-	-	(10)	(10)
- Others	(17,270)	-	-	(17,270)
Foreign exchange difference	1,364	-	2	1,366
Closing balance	331,595	196,226	79,099	606,920
Accumulated depreciation				
Opening balance	18,207	96,288	62,590	177,085
Additions	(9,608)	32,134	686	23,212
- Charge for the year	811	32,134	686	33,631
- Others	(10,419)	-	-	(10,419)
Disposal	(997)	-	(10)	(1,007)
Foreign exchange difference	348	-	2	350
Closing balance	7,950	128,422	63,268	199,640
Net book value				
Opening balance	270,493	36,409	16,517	323,419
Closing balance	323,645	67,804	15,831	407,280

14. Other assets

(a) Receivables

	31/12/2010 VND million	31/12/2009 VND million
Internal receivables	204,853	144,677
External receivables (i)	1,714,924	1,420,849
	1,919,777	1,565,526

(i) **External receivables**

	31/12/2010 VND million	31/12/2009 VND million
Advances for the purchase of fixed assets	462,052	380,750
Receivable from SBV in relation to the interest subsidy program	402,136	550,343
Advance for corporate income tax	8,015	2,989
VAT receivables	60	104
Construction in progress (*)	485,442	227,776
Foreclosed assets – net (**)	-	31,843
Other receivables	357,219	227,044
<i>In which: Dividend receivables</i>	<i>149,017</i>	<i>15,232</i>
	1,714,924	1,420,849

(*) **Construction in progress**

	31/12/2010 VND million	31/12/2009 VND million
Construction in progress	485,442	227,776
<i>In which, large constructions include:</i>		
<i>South Sai Gon Branch construction</i>	<i>247,861</i>	<i>82,716</i>
<i>Thanh Cong Branch construction</i>	<i>45,533</i>	<i>45,533</i>
<i>Vinh Branch construction</i>	<i>21,953</i>	<i>18,933</i>
<i>Ha Tinh Branch construction</i>	<i>18,543</i>	<i>16,371</i>
<i>Da Nang Branch construction</i>	<i>21,024</i>	<i>10,221</i>
<i>Gia Lai Branch construction</i>	<i>15,301</i>	<i>7,860</i>
<i>Quang Nam Branch construction</i>	<i>13,165</i>	<i>7,532</i>
<i>Hai Duong Branch construction</i>	<i>15,620</i>	<i>9,336</i>
	485,442	227,776

(**) **Foreclosed assets - net**

	31/12/2010 VND million	31/12/2009 VND million
Book value	2,145	61,589
Less: Allowance for diminution, represented by:	(2,145)	(29,746)
<i>Opening balance</i>	<i>(29,746)</i>	<i>(25,713)</i>
<i>Allowance reversed/ (made) during the year (Note 31)</i>	<i>27,601</i>	<i>(4,033)</i>
Net value	-	31,843

(b) **Accrued interest and fee receivable**

	31/12/2010 VND million	31/12/2009 VND million
From loans and advances to customers	1,029,959	610,879
From balances with and loans to other credit institutions	221,338	27,601
From investment securities	1,064,555	861,182
From currency swap transactions	33,968	116,085
Others	139	462
	2,349,959	1,616,209

(c) **Other assets**

	31/12/2010 VND million	31/12/2009 VND million
Prepaid expenses for office and fixed assets rental	192,781	180,995
Materials	47,386	44,219
Receivables relating to card transactions	157,408	123,366
Other assets	183,445	69,431
	581,020	418,011

15. Amounts due to the Government and the State Bank of Vietnam

	31/12/2010 VND million	31/12/2009 VND million
Borrowings from the SBV	797,051	5,326,079
Borrowings collateralised by valuable papers	777,237	5,303,920
Other borrowings	19,814	22,159
Others	9,279,885	17,252,321
Deposits from the State Treasury	4,637,418	8,567,342
Deposits from the SBV	4,642,467	8,684,979
	10,076,936	22,578,400

Borrowings from the SBV as at 31 December 2010 were secured by government bonds amounted to VND1,000 billion (31 December 2009: VND5,750 billion) (Note 10(a)).

16. Deposits and borrowings from other credit institutions

	31/12/2010 VND million	31/12/2009 VND million
Deposits	53,950,694	31,977,936
Demand deposits in VND	3,143,441	2,404,356
Demand deposits in foreign currencies	16,626,802	19,346,483
Term deposits in VND	18,992,185	3,853,632
Term deposits in foreign currencies	15,188,266	6,373,465
Borrowings	5,584,940	6,857,580
Borrowings in VND	-	40,000
Borrowings in foreign currencies	5,584,940	6,817,580
	59,535,634	38,835,516

VND4,733 billion out of the borrowings from other credit institutions in foreign currencies as at 31 December 2010 were secured by corporate bonds with carrying value of VND5,922 billion held in investments trusted to a foreign fund manager (Note 10(b)(i)).

Effective annual interest rates at the year end were as follows:

	31/12/2010	31/12/2009
Demand deposits in VND	0.15% - 2.4%	0.15% - 2.4%
Demand deposits in foreign currencies	0.1% - 1.5%	0.1% - 1.5%
Term deposits in VND	10.5% - 15.4%	8.52% - 12%
Term deposits in foreign currencies	0.15% - 4.67%	0.1% - 2.4%
Borrowings in VND	11.29%-13.11%	12%
Borrowings in foreign currencies	1.94% - 1.99%	0.96% - 2.41%

17. Deposits from customers

	31/12/2010 VND million	31/12/2009 VND million
Demand deposits	48,693,603	47,256,093
Demand deposits in VND	31,450,313	29,180,004
Demand deposits in foreign currencies	17,243,290	18,076,089
Term deposits	151,132,566	117,061,369
Term deposits in VND	104,161,018	70,919,040
Term deposits in foreign currencies	46,971,548	46,142,329
Deposits for specific purposes	3,578,543	3,152,533
Margin deposits	1,351,237	1,601,567
	204,755,949	169,071,562

Deposits from customers by type of customers were as follows:

	31/12/2010 VND million	31/12/2009 VND million
Economic entities	104,590,117	90,216,895
Individuals	98,879,938	76,964,703
Others	1,285,894	1,889,964
	204,755,949	169,071,562

Effective annual interest rates at the year end were as follows:

	31/12/2010	31/12/2009
Current accounts in VND	3% - 7%	2.4% - 6%
Current accounts in foreign currencies	0.1% - 0.3%	0.1% - 0.2%
Term deposits in VND	7% - 17%	6.6% - 15%
Term deposits in foreign currencies	1% - 7%	0.5% - 4.5%

18. Derivatives and other financial liabilities

	31/12/2010		31/12/2009	
	Contract notional value VND million	Carrying value VND million	Contract notional value VND million	Carrying value VND million
Derivatives				
Currency swap contracts	-	-	3,670,400	81,843

19. Valuable papers issued

	31/12/2010 VND million	31/12/2009 VND million
Certificates of deposit	1,535,261	356,214
Short-term in VND	116	6,265
Short-term in foreign currencies	4,444	31,539
Medium-term in VND	113,065	234,300
Medium-term in foreign currencies	1,417,636	84,110
Bond and treasury bills	2,028,724	29,844
Short-term in VND	259	459
Short-term in foreign currencies	725	817
Medium-term in VND	2,015,820	27,719
Medium-term in foreign currencies	11,920	849
	3,563,985	386,058

Effective annual interest rate at the year end are as follows:

	31/12/2010	31/12/2009
Short-term valuable papers in VND	7.63% - 9.10%	7.86% - 9.03%
Medium-term valuable papers in VND	8.5% - 11.2%	8.5% - 9.4%

20. Other liabilities

(a) Accrued interest and fees payables

	31/12/2010 VND million	31/12/2009 VND million
For deposit from customers	2,539,030	1,796,266
For deposits and borrowings from other credit institution	17,797	10,492
For valuable papers issued	4,847	2,049
For swap transactions	74,816	39,905
Others	951	-
	2,637,441	1,848,712

(b) Other liabilities

	31/12/2010 VND million	31/12/2009 VND million
Internal payables (i)	1,376,260	617,011
External payables (ii)	3,748,535	4,416,196
	5,124,795	5,033,207

(i) Internal payables

	31/12/2010 VND million	31/12/2009 VND million
Payables to employees	619,783	550,203
Provision for severance allowance	10,081	4,393
Bonus and welfare funds (*)	607,832	-
Others	138,564	62,415
	1,376,260	617,011

(*) In accordance with Circular 244/2209/TT-BTC issued by the Ministry of Finance dated 31 December 2009 to provide guidance on amending, supplementing Vietnamese Accounting System, the Bank reclassified bonus and welfare funds from capital and reserves to internal payables.

(ii) *External payables*

	31/12/2010 VND million	31/12/2009 VND million
Payables to the State relating to equitisation	467,662	388,538
Payable relating to cash received from initial public offering (*)	91,689	1,108,290
Payables to the State relating to severance allowance	48,698	48,698
Corporate income tax payables	265,178	340,966
Other tax payables	82,658	33,010
Interest income on investment in securities received in advance pending for allocation	53,096	37,180
Payables for construction and acquisition of fixed assets	229,821	213,683
Payables for securities investors	421,533	691,703
Deposit in custody relating to pending payments	853,911	487,560
Other payables to customers	23,699	46,579
Other pending items in settlement	980,050	262,199
Other payables to the State relating to interest subsidy program	57,614	18,702
Other payables (**)	172,926	739,088
	3,748,535	4,416,196

(*) **Payable relating to cash received from Initial Public Offering**

This represents the remaining surplus from the Initial Public Offering when equitising the Bank for Foreign Trade of Vietnam. This balance will be settled upon the approval of the equitisation settlement by the State Bank of Vietnam.

Movements of this account during the year were as follows:

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	1,108,290	1,109,038
Incurred during the year/period	(1,016,601)	(748)
- Transfer to Share premium of the Bank (Note 21)	(987,000)	-
- Equitisation expenses	(29,601)	(748)
Closing balance	91,689	1,108,290

(**) Other payables as at 31 December 2009 included VND48,802 million being payables to the State relating to equitisation.

(c) Provision for contingent liabilities and off-balance sheet commitments

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Opening balance	840,441	754,194
Provision made in the year (Note 31)	169,290	86,247
Closing balance	1,009,731	840,441

21. Capital and reserves

(a) Statement of changes in equity

	Charter capital	Share premium	Other capital	Reserves			Bonus and welfare fund	Asset revaluation difference	Foreign exchange difference	Retained profits	Total equity
				Reserve to supplement capital	Financial reserve	Investment and development fund					
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance at 1/1/2010	12,100,860	-	45,160	517,793	50,718	469,976	8,873	167,838	3,104,063	16,710,333	
Increase during the period	1,122,855	-	-	-	-	-	-	-	-	1,122,855	
Recognition of share premium (*)	-	987,000	-	-	-	-	-	-	-	987,000	
Profit for the year	-	-	-	-	-	-	-	-	4,214,544	4,214,544	
Differences from foreign exchange revaluation at year end	-	-	-	-	-	125	26,758	101,476	-	128,359	
Appropriations to reserve	-	-	-	422,444	7,660	567,631	-	-	(1,208,416)	-	
Utilisation of funds	-	-	-	(885)	-	(437,758)	-	-	-	(438,643)	
Dividends	-	-	-	-	-	-	-	-	(1,452,103)	(1,452,103)	
Adjustments of CIT of 2009	-	-	-	-	-	-	-	-	(877)	(877)	
Adjustments in accordance with the Annual General Meeting	-	-	-	3,132	-	-	-	-	(4,618)	80	
Other movements	-	-	-	(1,024)	-	8,022	-	-	(773)	5,763	
Transfer from bonus and welfare fund to retained profits	-	-	-	-	-	(164)	-	-	164	-	
Transfer to internal payables (Note 20(b)(ii))	-	-	-	-	-	(607,832)	-	-	-	(607,832)	
Balance at 31/12/2010	13,223,715	987,000	45,160	941,460	58,378	-	35,631	269,314	4,651,984	20,669,479	

(*): The recognition of VND987,000 million of share premium was in accordance with the Resolution of the Bank's Board of Directors regarding the temporary record of share premium from the Initial Public Offering (IPO) on 26 December 2007 at an equal amount that has been transferred to the Central Enterprises Reform Support Fund by the Bank (Note 20(b)(ii)).

(b) Details of shareholders of the Bank

	31/12/2010 VND million	31/12/2009 VND million
Ordinary shares		
State	11,996,669	10,978,006
Other shareholders	1,227,046	1,122,854
	13,223,715	12,100,860

The Bank's authorised and issued share capital are:

	31/12/2010		31/12/2009	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	1,322,371,452	13,223,715	1,210,086,026	12,100,860
Issued share capital				
Ordinary shares	1,322,371,452	13,223,715	1,210,086,026	12,100,860
Shares outstanding				
Ordinary shares	1,322,371,452	13,223,715	1,210,086,026	12,100,860

Movements in share capital were as follows:

	31/12/2010		31/12/2009	
	Number of shares	VND million	Number of shares	VND million
Opening balance	1.210.086.026	12.100.860	1.210.086.026	12.100.860
Shares issued	112.285.426	1.122.855	-	-
Closing balance	1.322.371.452	13.223.715	1.210.086.026	12.100.860

The par value of each ordinary share is VND10,000.

(c) Dividends

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Dividends of prior years paid to the State	1,317,361	768,460
Dividends of prior years paid to other shareholders	134,742	78,600
	1,452,103	847,060

(d) Basic earnings per share

(i) Profit attributable to the shareholders of the Bank

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Net profit after tax	4,214,544	3,921,355
Appropriation to bonus and welfare funds	(567,631)	(447,641)
	3,646,913	3,473,714

(ii) Weighted average number of ordinary shares

	Year ended 31/12/2010	Year ended 31/12/2009 (restated)	Year ended 31/12/2009 (as previously reported)
Shares issued at the beginning of the year	1,210,086,026	1,210,086,026	1,210,086,026
Adjusting impacts of share issuance during 2010 and after the financial year end	365,218,440	357,924,521	-
	1,575,304,466	1,568,010,547	1,210,086,026

(iii) *Basic earnings per share*

	Year ended 31/12/2010	Year ended 31/12/2009 (restated)	Year ended 31/12/2009 (as previously reported)
Basic earnings per share	2,315	2,215	2,871

The weighted average number of shares and earnings per shares for the year ended 31 December 2009 has been adjusted retrospectively following the issuance of shares with favourable price to existing shareholders after 31 December 2009.

22. Interest and similar income

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Interest income from loans and advances to customers	16,013,983	10,858,959
Interest income from balances with other credit institutions	1,470,577	1,068,834
Interest income from investing debt securities	2,932,111	3,252,577
- <i>Interest income from investment securities</i>	2,932,111	3,252,577
Interest income from finance lease	139,662	108,565
Other income from credit activities	24,305	4,623
	20,580,638	15,293,558

Included in interest income from investing debt securities for the year ended 31 December 2010 was VND54,117 million from Education Bonds which is not taxable (for the year ended 31 December 2009: VND12,638million (Note 32)).

23. Interest and similar expenses

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Interest expenses on deposits	(11,695,332)	(8,485,842)
Interest expenses on borrowings	(595,863)	(184,294)
Interest expense on valuable papers issued	(54,447)	(123,731)
Others expenses on credit activities	(46,583)	(1,025)
	(12,392,225)	(8,794,892)

24. Net fee and commission income

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Fee and commission income		
Settlement services	943,522	632,994
Cash services	113,211	85,904
Guarantee services	193,384	131,282
Trusted and agency activities	4,038	6,796
Other services	664,385	515,427
	1,918,540	1,372,403
Fee and commission expenses		
Settlement services	(297,903)	(218,998)
Cash services	(16,968)	(14,234)
Telecommunication services	(37,389)	(34,049)
Trusted and agency activities	(8,806)	(2,620)
Other services	(141,064)	(113,289)
	(502,130)	(383,190)
	1,416,410	989,213

25. Net gain from trading foreign currencies

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Gains from trading foreign currencies		
From foreign currencies spot trading	4,591,129	3,786,778
From currency derivatives	182,813	4,075
From revaluating gold	119,433	109,041
From revaluating trading foreign currencies	44,421	49,279
From revaluating derivative contracts	22,850	-
Others	-	8
	<hr/> 4,960,646	<hr/> 3,949,181
Losses from trading foreign currencies		
From foreign currencies spot trading	(3,990,576)	(2,794,880)
From currency derivatives	(286,121)	(194,162)
From revaluating trading foreign currencies	(122,269)	(41,830)
	<hr/> (4,398,966)	<hr/> (3,030,872)
	<hr/> 561,680	<hr/> 918,309

26. Net gain from trading of trading securities

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Income from trading of trading securities	21,565	134,421
Cost of trading of trading securities	-	(45,546)
Allowance made/ (Reversal of allowance) for diminution in the value of trading securities (Note 6)	(3,416)	94,422
	<hr/> 18,149	<hr/> 183,297

27. Net gain from sales of investment securities

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Income from trading of investment securities	159,096	452,213
Cost of trading of investment securities	(17,528)	(191,144)
Allowance for diminution in the value of investment securities (Note 10)	(212,396)	(339,209)
Reversal of allowance for diminution in the value of investment securities (Note 10)	339,209	251,016
	268,381	172,876

28. Net income from other activities

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Income from other activities		
Income from interest rate swap transactions	3,064	2,345
Income from other activities	721,463	244,344
	724,527	246,689
Expense from other activities		
Expense from interest rate swap transactions	(115,852)	(98,925)
Other expenses	(28,928)	(19,758)
	(144,780)	(118,683)
	579,747	128,006

29. Income from investments in other entities

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Dividends received from capital contributions, buying shares (Note 32)	272,511	179,443
- Dividends received	123,494	164,211
- Dividends receivables	149,017	15,232
Consolidated net profit/(loss) of investments in joint-ventures and associates (Note 32)	109,229	129,306
Other income	110,286	87,688
	492,026	396,437

30. Operating expenses

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Tax, duties and fees	(201,593)	(174,645)
Salaries and related expenses	(2,569,733)	(1,983,950)
<i>Of which:</i>		
- Salary and allowance (Note 34)	(2,326,778)	(1,835,982)
- Additional expenses based on salary	(200,078)	(67,954)
- Other allowances	(6,556)	(1,931)
- Social activities expenses	(36,321)	(78,083)
Expenses on assets	(902,410)	(755,935)
<i>Of which:</i>		
- Depreciation of fixed assets	(452,574)	(411,272)
Administrative expenses	(735,378)	(492,097)
Insurance expenses on deposit of customers	(72,326)	(57,184)
Allowance for diminution in the value of long-term investments (Note 11(c))	(52,519)	(404)
Others	(10,457)	(29,702)
	(4,544,416)	(3,493,917)

Salary and allowance for the year ended 31 December 2010 was accrued based on 29.76% total income minus total expenditure excluding salary following the Decision No.3907/QĐ-NHNN dated 26 May 2010 of the SBV regarding the salary and allowance expense rate applied for the Bank in the year 2010.

During the year ended 31 December 2010, the Bank contributed VND2,154 million (the year ended 31 December 2009: VND1,736 million) to unemployment insurance fund.

31. Provision and allowance for credit risks

	Note	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
General allowance for loans to other credit institutions			
Reversal during the year	5	5,266	2,971
Specific allowance for loans to other credit institutions			
Made during the year	5	(4,490)	-
General allowance for loans and advances to customers			
Made during the year	9	(198,502)	(297,245)
Specific allowance for loans and advances to customers			
Made during the year	9	(1,161,792)	(403,959)
Provision for diminution of foreclosed assets			
Reversal/(Allowance) made for foreclosed assets	14(a)(i)	27,601	(4,033)
Provision for contingent liabilities and off-balance sheet commitments			
Made during the year	20(c)	(169,290)	(86,247)
		(1,501,207)	(788,513)

32. Corporate income tax

(a) Current income tax expenses

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Profit before tax	5,479,183	5,004,374
<i>(Less: non-taxable income)/Add: non-deductible expenses</i>		
Net profits from investments in joint ventures and associates (Note 29)	(109,229)	(129,306)
Interest income from Government Education Bond (Note 22)	(54,117)	(12,638)
Net gain from currency revaluation in foreign exchange trading activities during the year	(64,435)	(116,490)
Dividend income (Note 29)	(272,511)	(179,443)
Utilisation of accumulated losses of VCB Securities	-	(270,949)
Non-deductible tax expenses	2,633	1,847
Non-taxable income	-	(53,869)
Others	30,261	1,343
Taxable income	5,011,785	4,244,869
Effective corporate income tax rate	24.85%	24.96%
Corporate income tax – current	1,245,376	1,059,621
Tax losses utilised	(2,306)	-
Under provision in prior years	321	-
Corporate income tax – current	1,243,391	1,059,621

(b) Applicable tax rate

The Bank and subsidiaries in Vietnam have an obligation to pay corporate income tax at the rate of 25% on taxable profits.

Vinafico has an obligation to pay corporate income tax at the rate on 17% of taxable profit.

The corporate income tax computation shall be declared by the Bank and its subsidiaries themselves and subjected to the review and approval of the local tax authorities.

33. Cash and cash equivalents

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
Cash, gold, silver, gemstones on hand	5,232,743	4,485,150
Balances with the SBV	8,239,851	25,174,674
Balances with credit institutions due within three months	74,089,468	39,926,107
Securities due within three months	9,116,284	3,016,000
	96,678,346	72,601,931

34. Employee benefits

	Year ended 31/12/2010	Year ended 31/12/2009
Total number of employees	11,415	10,401
Employees' income		
Total salary fund (VND million) (Note 30)	2,326,778	1,835,982
	16.99	14.70

35. Obligations to State Budget

	1/1/2010 VND million	Occurrence		31/12/2010 VND million
		Payable VND million	Paid VND million	
Value added tax	24,169	236,387	(232,339)	28,217
Corporate income tax (Note 20(b)(ii))	337,977	1,256,014	(1,336,828)	257,163
<i>Of which:</i>				
<i>Corporate income tax incurred in the year 2010</i>	337,952	1,243,391	(1,326,988)	254,355
<i>Increase in corporate income tax payables according to tax minute for the period from 2005 to the first 5 months of 2008</i>	-	9,840	(9,840)	-
<i>Additional corporate income tax of 2009</i>	-	2,808	-	2,808
<i>Others</i>	25	(25)	-	-
Personal income tax	3,315	174,664	(126,195)	51,784
Other taxes	5,421	50,580	(53,404)	2,597
	370,882	1,717,645	(1,748,766)	339,761

36. Significant transactions and balances with related parties

(a) Significant transactions with related parties

	Year ended 31/12/2010 VND million	Year ended 31/12/2009 VND million
SBV		
Interest income from deposits with the SBV	35,773	130,688
Interest expense on deposits from the SBV	33,593	114,466
Interest expense on borrowing from the SBV	-	106,035
Currencies swap contracts – contract notional value	-	3,670,400
MoF		
Interest income from loans to the MoF	149,474	165,312
Interest expense on deposits from the MoF	16,760	14,461
Shinhan Vina Bank		
Interest expense on deposits from Shinhan Vina Bank	-	1,331
Vietcombank Fund Management		
Management fees	-	555

(b) Significant balances with related parties

	31/12/2010 VND million	31/12/2009 VND million
SBV		
Deposits with the SBV	8,239,815	25,174,674
Borrowings from the SBV	5,439,518	14,392,808
Currency swap contracts – contract notional value	-	3,670,400
MoF		
Loans to MoF	3,089,662	3,353,226
Deposits at the Bank	4,637,418	8,567,342
Vietcombank Fund Management		
Trusted investments from the Bank	528,085	202,924
Shinhan Vina Bank		
Deposits at the Bank	-	8,375

37. Segment reporting (a) Geographical segment

	The North VND million	The Middle and Tay Nguyen VND million	The South VND million	Overseas VND million	Elimination VND million	Total VND million
I Interest and similar incomes	18,537,892	3,929,271	9,654,593	5,872	(11,546,990)	20,580,638
2 Interest and similar expenses	(15,176,848)	(2,883,665)	(5,877,794)	(908)	11,546,990	(12,392,225)
I Net interest income	3,361,044	1,045,606	3,776,799	4,964	-	8,188,413
3 Fee and commission income	812,754	116,973	988,909	4,030	(4,126)	1,918,540
4 Fee and commission expenses	(467,886)	(8,604)	(29,719)	(47)	4,126	(502,130)
II Net fee and commission income	344,868	108,369	959,190	3,983	-	1,416,410
III Net gain from trading foreign currencies	470,088	72,667	18,925	-	-	561,680
IV Net gain from trading of trading securities	18,149	-	-	-	-	18,149
V Net gain from sales of investment securities	268,381	-	-	-	-	268,381
5 Other incomes	561,512	73,050	184,839	-	(94,874)	724,527
6 Other expenses	(124,856)	(11,067)	(7,253)	(1,604)	-	(144,780)
VI Other income – net	436,656	61,983	177,586	(1,604)	(94,874)	579,747
VII Income from investments in other entities	503,150	-	(11,124)	-	-	492,026
VIII Operating expenses	(2,534,343)	(574,710)	(1,523,512)	(6,725)	94,874	(4,544,416)
IX Profit before allowance and provision expenses for loans and off-balance sheet commitments	2,867,993	713,915	3,397,864	618	-	6,980,390
X Allowance and provision expenses for loans and off-balance sheet commitments	(1,230,340)	(117,725)	(153,130)	(12)	-	(1,501,207)
XI Profit before tax	1,637,653	596,190	3,244,734	606	-	5,479,183
7 Income tax expense – current	(294,496)	(147,544)	(801,238)	(113)	-	(1,243,391)
XII Total income tax expense	(294,496)	(147,544)	(801,238)	(113)	-	(1,243,391)
XIII Net profit after tax	1,343,157	448,646	2,443,496	493	-	4,235,792

(b) Business segment

	Banking VND million	Non-bank financial institutions VND million	Securities VND million	Others VND million	Elimination VND million	Total VND million
1 Interest and similar income	31,580,739	156,677	361,108	29,104	(11,546,990)	20,580,638
2 Interest and similar expenses	(23,572,623)	(74,005)	(292,587)	-	11,546,990	(12,392,225)
I Net interest income	8,008,116	82,672	68,521	29,104	-	8,188,413
3 Fee and commission income	1,848,728	4,030	69,908	-	(4,126)	1,918,540
4 Fee and commission expenses	(482,218)	(159)	(23,879)	-	4,126	(502,130)
II Net fee and commission income	1,366,510	3,871	46,029	-	-	1,416,410
III Net gain from trading foreign currencies	570,010	890	-	(9,220)	-	561,680
IV Net gain from trading of trading securities	-	-	18,149	-	-	18,149
V Net gain from sales of investment securities	281,032	-	(12,651)	-	-	268,381
5 Other income	582,145	13,081	8,967	120,334	(94,874)	724,527
6 Other expenses	(143,176)	(1,604)	-	-	-	(144,780)
VI Other income – net	438,969	11,477	8,967	120,334	(94,874)	579,747
VII Income from investments in other entities	477,125	9,017	4,861	1,023	-	492,026
VIII Operating expenses	(4,356,564)	(46,973)	(99,020)	(41,859)	94,874	(4,544,416)
IX Profit before allowance and provision expenses for loans and off-balance sheet commitments	6,785,198	60,954	34,856	99,382	-	6,980,390
X Allowance and provision expenses for loans and off-balance sheet commitments	(1,481,688)	(19,519)	-	-	-	(1,501,207)
XI Profit before tax	5,303,510	41,435	34,856	99,382	-	5,479,183
7 Income tax expense – current	(1,202,258)	(5,760)	(7,839)	(27,534)	-	(1,243,391)
XII Total income tax expense	(1,202,258)	(5,760)	(7,839)	(27,534)	-	(1,243,391)
XIII Net profit after tax	4,101,252	35,675	27,017	71,848	-	4,235,792

38. Financial risk management

(a) Financial derivatives instrument risk

At present, risk on derivative products, specifically the forward contracts, are managed by Vietcombank on the basis of compliance with regulations, imposed by the SBV on foreign exchange management (Ordinance on Foreign Exchange in 2006) and other applicable regulations of the SBV relating to foreign exchange position and transactions of credit institutions that are allowed to engage in foreign exchange transactions as specified in Decision 1081/2002/QĐ-NHNN of 7 October 2002. According to this Decision, credit institutions who are entitled to engage foreign exchange transactions as approved by the SBV, are allowed to maintain a daily open position that is not exceeded 30% of the Bank's capital.

Additionally, forward currency contracts are closely monitored in accordance with Vietcombank's internal regulations. Foreign exchange transactions in general and forward contracts in particular and other capital transactions (borrowing/deposits) at the Bank are centrally and consistently monitored at the Head Office. In accordance with the Bank's regulations and policies, branches are only allowed to deal with customers on the basis to ensure the overall safety position of the Bank and in compliance with regulations relating to forward contracts. Branches are not allowed to maintain their own position in order to avoid exchange rate risk and settlement risk. In accordance with Regulation No. 1073/QĐ-NHNT-KDNT dated 29 September 2006 of the Bank for Foreign Trade of Vietnam (now the Joint Stock Commercial Bank for Foreign Trade of Vietnam), all foreign exchange transactions, including forward foreign exchange transactions, are managed and monitored centrally via internal accounts of Vietcombank. In accordance with this Decision, position at branches including position of the forward contracts at the end of each day will be automatically squared to the Head Office. In addition to ensuring the benefits of forward contracts, ensuring a safety foreign exchange position is a top priority for the Bank.

(b) Credit risk

The Bank is under exposure to credit risk, where a counterparty's default on its obligations will cause a financial loss for the Bank. Credit risk arises mainly in lending activities relating to loans and advances, and in investment activities involving investments in debt securities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are performed through issuance of related policies and procedures, including credit risk management policies, establishment of Credit Risk Handling Committee and Credit Committee.

The Bank classifies loans and advances to customers and other credit institutions in accordance with Decision 493 and Decision 18 (Note 2(g)) upon which credit risks of non-performing loans are regularly assessed in order to have appropriate resolutions.

In order to manage credit risks, the Bank has established policy and procedures relating to credit management; established credit manuals; performed credit risk assessment; set up credit rating systems and loan classification and decentralised authorization in credit activities.

(c) Market risk

(i) Interest rate risk

Interest rate risk occurs where the future cash flows of a financial instrument unexpectedly fluctuates due to the changes in market interest rates.

The real interest rate adjustment term is the remaining time starting from the date of the financial statements to the nearest interest rate adjustment term of the items subsequent to the balance sheet.

The following assumptions and conditions have been adopted in the analysis of real interest rate adjustment term of Vietcombank's items on the balance sheet:

- Cash, gold and gemstones, long-term investments, and other assets (fixed assets, investment properties and other assets included) are classified as non-interest bearing items;
- The real interest rate adjustment term of trading securities and investments securities shall be subject to issuer's terms and conditions on interest rate of each securities;
- The real interest adjustment term of balances with and loans to other credit institutions, loans to customers, amounts due to the Government and the State Bank of Vietnam, deposit and borrowings from other credit institutions and deposits from customers are identified as follows:
 - Items with fixed interest rate during the contractual term: the real interest adjustment term is based on the contractual maturity date starting from the date of the consolidated financial statements;
 - Items with floating interest rate: the real interest adjustment term is based on the latest interest rate adjustment term subsequent to the balance sheet date;
- The real interest adjustment term of "valuable papers issued" is based on valuable papers' maturities and the Bank's interest rate for each issuance;
- The real interest adjustment term of other borrowed funds is from one to five years ;
- The real interest adjustment term for other liabilities is from one to three months. In reality, these items shall have different interest rate adjustment terms.

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	Overdue VND million	Non-interest bearing VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
I	-	5,232,422	309	12	-	-	-	-	5,232,743
II	-	-	8,239,851	-	-	-	-	-	8,239,851
III	-	-	69,715,522	4,066,271	3,898,434	611,888	931,472	-	79,659,452
IV	-	435,865	10,830	-	-	-	-	-	446,700
V	-	-	-	34,686	-	-	-	-	34,686
VI	4,718,379	-	69,931,227	57,773,272	34,058,393	6,500,421	3,302,781	529,433	176,813,906
VII	-	1,302,924	7,743,264	675,000	507,301	2,211,033	15,099,460	5,571,525	33,110,507
VIII	-	4,110,899	-	-	-	-	-	-	4,110,899
IX	-	1,586,004	-	-	-	-	-	-	1,586,004
X	-	4,687,781	-	-	-	165,120	-	-	4,852,901
Total assets	4,718,379	17,355,895	155,641,003	62,549,241	38,464,128	9,488,462	19,333,713	6,100,958	313,651,779
Liabilities									
I,II	-	-	56,869,430	6,271,959	5,361,361	1,109,561	259	-	69,612,570
III	-	-	111,056,716	43,522,988	14,693,944	27,192,277	8,280,031	9,993	204,755,949
IV	-	-	-	-	-	-	-	-	-
V	-	20	-	-	-	-	-	-	20
VI	-	-	26,177	-	1,275	1,508,737	27,796	2,000,000	3,563,985
VII	-	7,519,757	1,246,948	-	7,350	-	-	-	8,774,055
Total liabilities	-	7,519,777	169,199,271	49,794,947	20,063,930	29,810,575	8,308,086	2,009,993	286,706,579
Interest sensitivity gap	4,718,379	9,836,118	(13,558,268)	12,754,294	18,400,198	(20,322,113)	11,025,627	4,090,965	26,945,200
Cumulative interest sensitive gap	4,718,379	14,554,497	996,229	13,750,523	32,150,721	11,828,608	22,854,235	26,945,200	

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. The exchange rate between VND and foreign currencies during the year fluctuated significantly. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. Some of the Bank's other assets are in currencies other than the reporting currency and USD. The Bank's management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

	VND VND million	USD VND million	Euro VND million	Gold VND million	Other currencies VND million	Total VND million
Assets						
I	3,238,396	1,110,789	191,385	518,127	174,046	5,232,743
II	3,058,043	5,181,808	-	-	-	8,239,851
III	36,496,607	33,943,325	3,785,335	-	5,434,185	79,659,452
IV	10,830	-	-	-	-	10,830
V	931,272	(1,534,556)	802,494	-	(164,524)	34,686
VI	115,553,734	60,018,310	1,193,093	-	48,769	176,813,906
VII	26,107,888	7,002,619	-	-	-	33,110,507
VIII	4,110,899	-	-	-	-	4,110,899
IX	1,584,892	-	-	-	1,112	1,586,004
X	4,451,744	342,723	857	-	57,577	4,852,901
Total assets	195,544,305	106,065,018	5,973,164	518,127	5,551,165	313,651,779
Liabilities						
I, II	23,004,839	42,446,432	1,351,917	-	2,809,382	69,612,570
III	137,129,966	60,728,924	4,484,706	-	2,412,353	204,755,949
IV	-	-	-	-	-	-
V	-	20	-	-	-	20
VI	2,141,161	1,419,188	3,636	-	-	3,563,985
VII	6,728,032	1,747,906	132,882	-	165,235	8,774,055
Total liabilities	169,003,998	106,342,470	5,973,141	-	5,386,970	286,706,579
FX position on balance sheet	26,540,307	(277,452)	23	518,127	164,194	26,945,199
FX position off balance sheet	51,889,942	(1,410,079)	959,329	-	(167,394)	51,271,798
FX position on and off-balance sheet	78,430,249	(1,687,531)	959,352	518,127	(3,200)	78,216,997

(d) Liquidity risk

Liquidity risk occurs where Vietcombank fails to realize its financial commitments with customers or counterparties due to unavailability of funds or liquidity.

The maturity of monetary assets and liabilities represent the remaining terms of these assets and liabilities from the balance sheet date to the maturity date according to the underlying contractual agreements or term of issuance.

The following assumptions and conditions have been adopted in the preparation of the Vietcombank's maturity analysis:

- Balance with the SBV are considered as current accounts including the compulsory deposits;
- The maturity of investment securities is based on redemption dates of each securities established by the issuers of these financial instruments;
- The maturities of amounts due from other banks and loans and advances to customers are based on the contractual maturity date. The actual maturity sometimes varies from the original contractual term when the contract is extended;
- The maturity of equity investments is considered to be over one year as equity investments have no stated maturity date; and
- Amounts due to other banks and owed to customers are determined based on either the nature of the amount or their contractual agreements. For example, vostro accounts and current accounts paid upon customers' demand are considered to be current, the maturity of term deposits and borrowings are based on the contractual maturity date. In practice, such items may be rolled over and maintained for longer period.

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	Overdue over 3 months VND million	Overdue up to 3 months VND million	Up to 1 month VND million	From 1 month to 3 months VND million	From 3 months to 12 months VND million	From 1 year to 5 years VND million	Over 5 years VND million	Total VND million
Assets								
I	-	-	5,232,743	-	-	-	-	5,232,743
II	-	-	8,239,851	-	-	-	-	8,239,851
III	-	-	14,088,472	60,000,996	5,284,523	285,461	-	79,659,452
IV	-	-	-	10,830	-	-	-	10,830
V	-	-	-	34,686	-	-	-	34,686
VI	3,387,900	1,341,503	9,370,878	31,907,113	65,520,875	48,427,848	16,857,789	176,813,906
VII	-	-	7,394,442	1,721,842	22,776,167	706,239	511,817	33,110,507
VIII	-	-	-	-	-	13,440	4,097,459	4,110,899
IX	-	-	248,568	-	-	9,894	1,327,542	1,586,004
X	-	-	76,573	4,728,665	28,950	18,713	-	4,852,901
Total assets	3,387,900	1,341,503	44,651,527	98,404,132	93,610,515	49,461,595	22,794,607	313,651,779
Liabilities								
I,II	-	-	56,566,999	3,193,236	4,853,915	4,978,865	19,555	69,612,570
III	-	-	71,059,567	56,920,937	57,643,088	13,732,704	5,399,653	204,755,949
IV	-	-	-	-	-	-	-	-
V	-	-	-	-	-	20	-	20
VI	-	-	26,177	-	1,510,012	27,796	2,000,000	3,563,985
VII	-	-	1,280,545	7,210,104	283,406	-	-	8,774,055
Total liabilities	-	-	128,933,288	67,324,277	64,290,421	18,739,385	7,419,208	286,706,579
Net liquidity gap	3,387,900	1,341,503	(84,281,761)	31,079,855	29,320,094	30,722,210	15,375,399	26,945,200

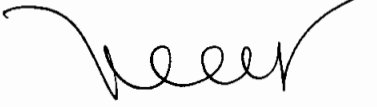
39. Subsequent events

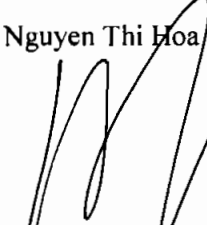
In accordance with the approval in the Official Letter No. 7086/NHNN-TTGSNH dated 20 September 2010 and the approval of the Bank's shareholders through the Unscheduled General Shareholders' Meeting on 9 November 2010, the Bank has increased its capital from VND13,233,715 million to VND17,587,540 million on 21 February 2011. Business Licence of the Bank No.0100112437 was renewed for the second time on 2 March 2011 by Hanoi Planning and Investment Department.

40. Approval of consolidated financial statements


The consolidated financial statements were approved by the Board of Management on 31 March 2011.


Prepared by:

Phung Nguyen Hai Yen

Head of Financial
and Accounting Policy Department

Nguyen Thi Hoa

Chief Accountant

Approved by:

Nguyen Dan Luong

General Director



31 MAR 2011