

Housing Bank of Mekong Delta

Audited Consolidated Financial Statements in accordance with
the Vietnamese Accounting Standards and System for Credit Institutions
as at and for the year ended 31 December 2007

Reference: 21206/21007

INDEPENDENT AUDITORS' REPORT
on the consolidated financial statements of Housing Bank of Mekong Delta and its subsidiary
as at and for the year ended 31 December 2007

To: **The Board of Directors and Board of Management of
Housing Bank of Mekong Delta**

We have audited the accompanying consolidated balance sheet of Housing Bank of Mekong Delta ("the Bank") and its subsidiary as at 31 December 2007, and the related consolidated statement of income, consolidated statement of retained earnings, consolidated statement of cash flows for the year then ended and the notes thereto ("the consolidated financial statements") as set out on pages 2 to 46. The consolidated financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of Opinion

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and its subsidiary as at 31 December 2007 and the results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System for Credit Institutions and comply with relevant regulations of the State Bank of Vietnam and the Ministry of Finance of Vietnam.



Ernst & Young Vietnam Ltd.

Michael Yu Lim
Deputy General Director
Registered Auditor
Certificate No. 0629/KTV



Vo Xuan Minh
Auditor in-charge
Registered Auditor
Certificate No. 0923/KTV

Hanoi, Vietnam

31 March 2008

CONSOLIDATED BALANCE SHEET
as at 31 December 2007

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
ASSETS		
Cash and cash equivalents on hand	227,510	115,918
Balances with the State Bank of Vietnam	402,160	261,926
Due from banks	4,678,099	3,535,194
Current accounts with other banks	558,984	413,256
Placements with and loans to other banks	4,119,115	3,121,938
Provision for loans to other banks	-	-
Trading securities	550,601	-
Cost	557,615	-
Provision for impairment losses	(7,014)	-
Loans to customers	13,756,662	9,976,585
Loans to customers	13,924,999	10,113,433
Provision for loans to customers	(168,337)	(136,848)
Investments in securities	7,148,641	4,302,163
Available-for-sale securities	6,947,418	4,101,187
Held-to-maturity securities	201,223	200,976
Provision for impairment losses	-	-
Long-term investment	-	36,000
Investment in subsidiary	-	36,000
Fixed assets	232,397	171,969
<i>Tangible fixed assets</i>	<i>128,178</i>	<i>97,977</i>
Cost	239,576	190,900
Accumulated depreciation	(111,398)	(92,923)
<i>Intangible fixed assets</i>	<i>104,219</i>	<i>73,992</i>
Cost	109,449	75,904
Accumulated depreciation	(5,230)	(1,912)
Other assets	535,482	334,542
TOTAL ASSETS	27,531,552	18,734,297

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2007

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
LIABILITIES		
Borrowings from the State Treasury and the State Bank of Vietnam	447,494	941,965
Due to banks	8,170,080	7,299,442
Current accounts of other banks	53,593	121,459
Term deposits from other banks	7,916,403	7,177,562
Borrowings from other banks	200,000	-
Other borrowings	84	421
Customer deposits and other amounts due to customers	9,939,911	5,005,864
Valuable papers issued	6,022,464	3,380,989
Other borrowed funds	998,919	725,342
Other liabilities	857,193	451,668
Accrued interest expenses	468,111	328,238
Current enterprise income tax liability	18,690	6,414
Deferred enterprise income tax liability	4,606	-
Capital use tax resource	38,637	38,678
Other liabilities	326,223	78,107
Provision for off-balance sheet commitments	926	231
TOTAL LIABILITIES	26,436,061	17,805,270
OWNERS' EQUITY		
Capital and reserves		
Chartered capital	810,191	774,200
Other capital	-	29,391
Statutory reserves	243,719	124,598
Statutory reserves	15,287	838
TOTAL OWNER'S EQUITY	1,069,197	929,027
MINORITY INTEREST	26,294	-
TOTAL LIABILITIES, OWNER'S EQUITY AND MINORITY INTEREST	27,531,552	18,734,297
OFF-BALANCE SHEET ITEMS		
Financial guarantee commitments	66,166	42,926
Letters of credit commitments	75,969	18,810
Other commitments	151	-

CONSOLIDATED STATEMENT OF INCOME
for the year ended 31 December 2007

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
OPERATING INCOME		
Interest and similar income	2,017,171	1,495,123
Interest and similar expenses	<u>(1,423,313)</u>	<u>(1,066,381)</u>
NET INTEREST AND SIMILAR INCOME	593,858	428,742
Fees and commission income	19,578	7,073
Fees and commission expenses	<u>(9,552)</u>	<u>(4,780)</u>
Net gain from fees and commission	10,026	2,293
Net gain from dealing in foreign currencies	17,411	1,910
Net gain from dealing in trading securities	7,875	-
Net gain from dealing in investment securities	10,313	-
Other operating income	<u>6,338</u>	<u>3,512</u>
TOTAL OPERATING INCOME	645,821	436,457
OPERATING EXPENSES		
Payroll and other staff costs	(239,764)	(146,450)
Depreciation and amortization charges	(24,029)	(24,947)
Other operating expenses	<u>(153,280)</u>	<u>(111,651)</u>
TOTAL OPERATING EXPENSES	<u>(417,073)</u>	<u>(283,048)</u>
NET OPERATING INCOME BEFORE PROVISION	228,748	153,409
Provision for loans to customers in the year	<u>(33,923)</u>	<u>(50,503)</u>
PROFIT BEFORE TAX	194,825	102,906
Current enterprise income tax expense	(49,900)	(28,814)
Deferred enterprise income tax expense	<u>(4,606)</u>	<u>-</u>
PROFIT AFTER TAX	140,319	74,092
MINORITY INTEREST	<u>(2,294)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>138,025</u>	<u>74,092</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
as at and for the year ended 31 December 2007

RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	838	-
Net profit for the year	<u>138,025</u>	<u>74,092</u>
EARNINGS BEFORE APPROPRIATION	138,863	74,092
Less:		
Temporarily created reserves for the current year	<u>(123,576)</u>	<u>(73,254)</u>
RETAINED EARNINGS AT THE END OF THE YEAR	<u>15,287</u>	<u>838</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
as at and for the year ended 31 December 2007

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fees and commission receipts	1,957,974	1,258,950
Interest and fees and commission payments	(1,292,991)	(972,291)
Net gain from dealing in foreign currencies	17,411	1,910
Net gain from dealing in securities	22,859	115,928
Cash receives from collection of bad debts written-off	1,041	-
Net gain/(loss) from other activities	(146,953)	(5,915)
Cash payments to employees and suppliers	(183,929)	(226,269)
Current EIT paid during the year	(37,624)	(29,521)
Net cash flow from operating activities before changes in net operating assets	337,788	142,792
<i>(Increase)/Decrease in operating assets</i>		
(Increase)/Decrease in placements with and loans to other banks	(835,667)	347,005
(Increase)/Decrease in trading and investment in securities	(3,226,800)	(2,599,087)
(Increase)/Decrease in loans to customers	(3,811,566)	(1,676,460)
Bad debts written off	(2,945)	(6,263)
(Increase)/Decrease in other assets	(151,427)	(18,253)
<i>Increase/(Decrease) in operating liabilities</i>		
Increase/(Decrease) in borrowings from the Government and the SBV	(494,471)	584,808
Increase/(Decrease) in due to banks	870,638	1,210,938
Increase/(Decrease) in customer deposits and other amounts due to customers and valuable paper issued	7,575,492	2,584,431
Increase/(Decrease) in other borrowed funds	273,577	(266,784)
Increase/(Decrease) in capital use tax resource	(41)	(110)
Increase/(Decrease) in other liabilities	156,253	23,356
Net cash flows from operating activities	690,831	326,373

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
as at and for the year ended 31 December 2007

	<i>31 Dec 2007</i> VNDm	<i>31 Dec 2006</i> VNDm
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed asset	(91,347)	(46,577)
Proceeds from disposal of fixed assets	126	23
Increases of equity investments	(41,095)	(36,000)
Dividends received	335	-
Net cash flows used in investing activities	(131,981)	(82,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Chartered capital increased from receipts of interest income from Special Government bonds	6,600	6,600
Utilization of reserves	(4,455)	(1,776)
Net cash flows from financing activities	2,145	4,824
Net increase in cash and cash equivalents	560,995	248,643
Cash and cash equivalents at the beginning of the year	3,221,856	559,167
Cash and cash equivalents at the end of the year	3,782,851	807,810
Excluding current accounts held by the State Treasury and other banks, due to banks which due within 1 month; and including placements with and loans to other banks which due within 3 months in cash and cash equivalents as at 31 December 2006	-	2,414,046
Cash and cash equivalents at the end of the year, restated	3,782,851	3,221,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2007

1. CORPORATE INFORMATION

Housing Bank of Mekong Delta (herein referred to as “MHB” or the “Bank”) is a Vietnamese state-owned commercial bank incorporated and registered in the Socialist Republic of Vietnam.

Establishment and Operations

The Bank was established on 18 September 1997 in accordance with Decision No. 769/TTg by the Prime Minister. The Bank was granted the Banking Business License in accordance with Decision No. 408/1997/QĐ-NHNN dated 18 December 1997 by the Governor of the State Bank of Vietnam (“SBV”) for a period of 99 years commencing from 18 September 1997.

The Bank is established to conduct banking activities, including mobilizing and receiving short, medium and long term deposit funds from various organizations and individuals; lending on a short, medium and long term basis to various organizations and individuals up to the nature and ability of the Bank’s chartered capital resources; conducting foreign currency transactions; international trade finance services, discounting of commercial notes, bonds and valued documents; and other banking services as approved by the SBV.

Chartered Capital

The original chartered capital of the Bank as nominated by the Government was VNDm 500,000. The chartered capital of the Bank has been supplemented for each period by the Government. The actual chartered capital of the Bank as at 31 December 2007 is VNDm 780,800 (2006: VNDm 774,200).

Locations and the Network

The Head Office of the Bank is located at 9 Vo Van Tan, District 3, Ho Chi Minh City, Vietnam. As at 31 December 2007, the Bank has one (1) Head Office, one (1) Main Transaction Office, one (1) Representative Office in Hanoi, one (1) Card Center, one (1) Project Management Unit, thirty-two (32) main operating branches located in major cities and provinces throughout the country.

Subsidiary

As at 31 December 2007, the Bank has one subsidiary. Details are as follows:

Name	Established in accordance with Operating license No.	Business sector	% owned by the Bank
MHB Securities Joint Stock Company)	Operating License No. 4103005787 dated 25 December 2006 granted by Ho Chi Minh City’s Department of Planning and Investment; and Decision No 45/UBCK-GPHDKD dated 28 December 2006 granted by State Securities Committee.	Securities trading, capital market	60%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation

The consolidated financial statements of the Bank, which are expressed in millions of Vietnamese Dong (“VNDm”), are prepared in accordance with the Vietnamese Accounting Standards (VAS) and System for Credit Institutions required under Decision No. 479/2004/QD-NHNN dated 29 April 2004 issued by the Governor of the State Bank of Vietnam which was enacted from 1 January 2005, Decision No. 16/QD-NHNN dated 18 April 2007 issued by the Governor of the State Bank of Vietnam, relevant guidance documents and Vietnamese Accounting Standards issued by the Ministry of Finance.

2.2. Fiscal year

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

3. CASH AND CASH EQUIVALENTS ON HAND

	<i>31 Dec 2007</i> VNDm	<i>31 Dec 2006</i> VNDm
Cash on hand in Vietnam Dong (“VND”)	196,757	94,164
Cash and cash equivalent on hand in foreign currencies (“FC”)	30,695	20,841
Gold and gemstones	58	913
	<u>227,510</u>	<u>115,918</u>

4. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>31 Dec 2007</i> VNDm	<i>31 Dec 2006</i> VNDm
Balances with the State Bank of Vietnam in VND	379,440	249,058
Balances with the State Bank of Vietnam in FC	22,720	12,868
	<u>402,160</u>	<u>261,926</u>

During 2007, the Bank has maintained its compulsory deposits in compliance with the requirements of the SBV.

5. DUE FROM BANKS

	<i>31 Dec 2007</i> VNDm	<i>31 Dec 2006</i> VNDm
Current accounts with other banks	558,984	413,256
Placements with and loans to other banks	4,119,115	3,121,938
	<u>4,678,099</u>	<u>3,535,194</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

6. TRADING SECURITIES

Trading securities as at 31 December are as follows:

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
<i>Debt securities</i>		
Deb securities issued by local enterprises	10,860	-
<i>Equity investments</i>		
Equity securities issued by local banks	79,427	-
Equity securities issued by local enterprises	117,328	-
<i>The Bank's assets managed by other institution</i>	350,000	
<i>Provision for impairment losses</i>	(7,014)	-
	550,601	-

Trading securities by listing status as at 31 December 2007 are as follows:

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
<i>Debt securities:</i>		
Unlisted	10,860	-
<i>Equity investments:</i>		
Listed	69,392	-
Unlisted	120,349	-
<i>The Bank's assets managed by other institution</i>	350,000	-
	550,601	-

Trading securities are initially recognized at cost at the date of transaction. As at the consolidated balance sheet date, impairment of these securities is reviewed on market value. The impairment loss (if any) is recognized to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

7. LOANS TO CUSTOMERS

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Commercial loans	<u>13,924,999</u>	<u>10,113,433</u>

7.1. Loan portfolio analyzed by original terms

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Short-term (less than 1 year)	8,998,372	5,460,991
Medium-term (between 1 to 3 years)	4,013,737	3,692,685
Long-term (more than 3 years)	912,890	959,757
	<u>13,924,999</u>	<u>10,113,433</u>

7.2. Loan portfolio analyzed by ownership of the borrowers

	31 Dec 2007		31 Dec 2006	
	VNDm	%	VNDm	%
State-owned enterprises	656,134	4,72	493,122	4,88
Private enterprises	2,235,280	16,05	1,545,971	15,29
Individuals	10,305,715	74,01	7,710,907	76,24
Cooperatives	11,333	0,08	3,975	0,04
Foreign invested companies	31,179	0,22	49,676	0,49
Others	685,358	4,92	309,782	3,06
	<u>13,924,999</u>	<u>100</u>	<u>10,113,433</u>	<u>100</u>

7.3. Loan portfolio analyzed by industrial sectors

	31 Dec 2007		31 Dec 2006	
	VNDm	%	VNDm	%
Construction	4,058,814	29,15	2,912,824	28,80
Trading and services	4,432,922	31,83	3,107,159	30,72
Agriculture, forestry and aquaculture	2,147,701	15,42	1,254,371	12,40
Manufacturing and processing	519,423	3,73	463,464	4,59
Transportation and warehouse	480,098	3,45	433,519	4,29
Others	2,286,041	16,42	1,942,096	19,20
	<u>13,924,999</u>	<u>100</u>	<u>10,113,433</u>	<u>100</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

8. MOVEMENT OF PROVISION FOR CREDIT LOSSES

Movement in provision for credit losses during the year consisted of the following:

	<i>Specific provision for loans to customers VNDm</i>	<i>General provision for loans to customers VNDm</i>	<i>Total VNDm</i>
Balance as at 31 December 2006	108,969	27,879	136,848
Provision charged to expenses	81,138	39,023	120,161
Reversed provision during the year	(32,234)	(54,004)	(86,238)
Bad debts written-off from January to November	-	-	-
Others	440	(28)	412
Balance as at 30 November	158,313	12,870	171,183
Bad debts written-off in December	(2,945)	-	(2,945)
Others	99	-	99
Balance as at 31 December 2007	<u>155,467</u>	<u>12,870</u>	<u>168,337</u>

Breakdowns of loan classification and the related credit loss provision as at 30 November 2007 according to Decision 493/QD/2005/QD-NHNN and Decision 18/2007/QD-NHNN are as follows:

	<i>Loan balance VNDm</i>	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
<i>Loans to corporate</i>				
Current	3,033,156	-	11,770	11,770
Special Mention	162,172	3,310	730	4,040
Substandard	45,955	6,178	207	6,385
Doubtful	36,130	9,585	163	9,748
Loss	73,773	39,335	-	39,335
	<u>3,351,186</u>	<u>58,408</u>	<u>12,870</u>	<u>71,278</u>
<i>Loans to households and individuals</i>	<u>9,631,749</u>	<u>99,905</u>	<u>-</u>	<u>99,905</u>
	12,982,935	158,313	12,870	171,183
<i>Off balance sheet commitments</i>				
Current	205,899	-	926	926
	<u>13,188,834</u>	<u>158,313</u>	<u>13,796</u>	<u>172,109</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

8. MOVEMENT OF PROVISION FOR CREDIT LOSSES (continued)

As at 30 November 2007, the Bank has carried out loan loss provision creation under Decision 493 as follows:

<i>Provision for credit losses</i>	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>General provision for OBS commitments VNDm</i>	<i>Total VNDm</i>
Maximum under Decision 493	158,313	95,679	1,544	255,536
Actually recorded by the Bank	158,313	12,870	926	172,109
Difference	<u>-</u>	<u>82,809</u>	<u>618</u>	<u>83,427</u>

The Bank has provided full specific provisions for credit losses in 2007, however, it has yet to fully provide for the required general provisions as at 31 December 2007.. Decision 493/2005/QD-NHNN of the SBV, however, allows commercial banks to create full general provisions within 5 years from May 2006, the effective date of the Decision.

9. INVESTMENTS IN SECURITIES

	<i>31 Dec 2007 VNDm</i>	<i>31 Dec 2006 VNDm</i>
Available-for-sale securities		
<i>Debt securities</i>		
Government securities	6,095,190	3,917,500
Securities issued by local banks	108,869	100,000
Securities issued by local enterprises	702,264	-
<i>Equity investments</i>		
Equity investments in local enterprises	41,095	83,687
<i>Provision for impairment losses</i>	<u>-</u>	<u>-</u>
	<u>6,947,418</u>	<u>4,101,187</u>
Held-to-maturity securities		
<i>Debt securities</i>		
Government securities	200,275	200,200
Others	948	776
<i>Provision for impairment losses</i>	<u>-</u>	<u>-</u>
	<u>201,223</u>	<u>200,976</u>
	<u>7,148,641</u>	<u>4,302,163</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

10. FIXED ASSETS

10.1. Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2007 are as follows:

	<i>Buildings & structures</i> VNDm	<i>Machines & equipments</i> VNDm	<i>Motor vehicles, transmission devices</i> VNDm	<i>Others</i> VNDm	<i>Total</i> VNDm
Cost					
As at 31 December 2006	75,119	52,900	42,956	19,925	190,900
Additions in the year	6,743	50,789	4,332	3,639	65,503
<i>In which:</i>					
<i>Newly purchased</i>	19	44,601	2,356	2,524	49,500
<i>Newly built</i>	6,724	731	-	658	8,113
<i>Others</i>	-	5,457	1,976	457	7,890
Decrease in the year	(9,664)	(3,773)	(2,230)	(1,160)	(16,827)
<i>In which:</i>					
<i>Disposed</i>	-	(1,029)	(533)	(485)	(2,047)
<i>Others</i>	(9,664)	(2,744)	(1,697)	(675)	(14,780)
As at 31 December 2007	<u>72,198</u>	<u>99,916</u>	<u>45,058</u>	<u>22,404</u>	<u>239,576</u>
Accumulated depreciation					
As at 31 December 2006	15,913	37,561	26,782	12,667	92,923
Charge for the year	1,102	9,757	6,313	4,563	21,735
Disposals in the year	-	(417)	(33)	(197)	(647)
Others	(191)	(37)	(532)	(1,853)	(2,613)
As at 31 December 2007	<u>16,824</u>	<u>46,864</u>	<u>32,530</u>	<u>15,180</u>	<u>111,398</u>
Net book value					
As at 31 December 2006	<u>59,206</u>	<u>15,339</u>	<u>16,174</u>	<u>7,258</u>	<u>97,977</u>
As at 31 December 2007	<u>55,374</u>	<u>53,052</u>	<u>12,528</u>	<u>7,224</u>	<u>128,178</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

10. FIXED ASSETS (continued)

10.1. Tangible fixed assets (continued)

Movements of tangible fixed assets for the year ended 31 December 2006 are as follows:

	<i>Buildings & structures</i> VNDm	<i>Machines & equipment</i> VNDm	<i>Motor vehicles, transmission devices</i> VNDm	<i>Others</i> VNDm	<i>Total</i> VNDm
Cost					
As at 31 December 2005	67,395	46,963	42,863	18,301	175,522
Additions in the year	9,066	8,795	129	1,996	19,986
<i>In which:</i>					
<i>Newly purchased</i>	3,052	6,142	129	1,625	10,948
<i>Newly built</i>	-	-	-	-	-
<i>Others</i>	6,014	2,653	-	371	9,038
Decrease in the year	(1,342)	(2,858)	(36)	(372)	(4,608)
<i>In which:</i>					
<i>Disposed</i>	-	(460)	(36)	(62)	(558)
<i>Others</i>	(1,342)	(2,398)	-	(310)	(4,050)
As at 31 December 2006	<u>75,119</u>	<u>52,900</u>	<u>42,956</u>	<u>19,925</u>	<u>190,900</u>
Accumulated depreciation					
As at 31 December 2005	11,588	26,855	20,663	9,171	68,277
Charge for the year	3,984	10,888	6,119	3,471	24,462
Disposals in the year	(151)	(182)	-	(34)	(367)
Others	492	-	-	59	551
As at 31 December 2006	<u>15,913</u>	<u>37,561</u>	<u>26,782</u>	<u>12,667</u>	<u>92,923</u>
Net book value					
As at 31 December 2005	<u>55,807</u>	<u>20,108</u>	<u>22,200</u>	<u>9,130</u>	<u>107,245</u>
As at 31 December 2006	<u>59,206</u>	<u>15,339</u>	<u>16,174</u>	<u>7,258</u>	<u>97,977</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

10. FIXED ASSETS (continued)

10.2. Intangible assets

Movements of intangible assets for the year ended 31 December 2007 are as follows:

	<i>Land use rights VNDm</i>	<i>Software VNDm</i>	<i>Others VNDm</i>	<i>Total VNDm</i>
Cost				
As at 31 December 2006	75,904	-	-	75,904
Additions in the year	30,219	608	2,907	33,734
Disposals in the year	<u>(114)</u>	<u>(50)</u>	<u>(25)</u>	<u>(189)</u>
As at 31 December 2007	<u>106,009</u>	<u>558</u>	<u>2,882</u>	<u>109,449</u>
Accumulated depreciation				
As at 31 December 2006	1,912	-	-	1,912
Additions in the year	2,638	524	162	3,324
<i>In which:</i>				
<i>Charge in the year</i>	2,109	23	162	2,294
<i>Others</i>	529	501	-	1,030
Decrease in the year	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
As at 31 December 2007	<u>4,550</u>	<u>524</u>	<u>156</u>	<u>5,230</u>
Net book value				
As at 31 December 2006	<u>73,992</u>	<u>-</u>	<u>-</u>	<u>73,992</u>
As at 31 December 2007	<u>101,459</u>	<u>34</u>	<u>2,726</u>	<u>104,219</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

10. FIXED ASSETS (continued)

10.2. Intangible assets (continued)

Movements of intangible assets for the year ended 31 December 2006 are as follows:

	<i>Land use rights</i> <i>VNDm</i>
Cost	
As at 31 December 2005	77,939
Additions in the year	4,116
Disposals in the year	(6,151)
As at 31 December 2006	75,904
Accumulated depreciation	
As at 31 December 2005	2,879
Charge in the year	485
Disposals in the year	(1,452)
As at 31 December 2006	1,912
Net book value	
As at 31 December 2005	75,060
As at 31 December 2006	73,992

11. OTHER ASSETS

	<i>31 Dec 2007</i> <i>VNDm</i>	<i>31 Dec 2006</i> <i>VNDm</i>
Construction in progress (CIP) and unused fixed assets	29,700	25,966
Accrued interest income	193,276	257,263
Other assets	312,506	51,313
	535,482	334,542

12. BORROWINGS FROM THE STATE TREASURY AND THE STATE BANK OF VIETNAM

	<i>31 Dec 2007</i> <i>VNDm</i>	<i>31 Dec 2006</i> <i>VNDm</i>
<i>Due to the State Treasury</i>		
Current accounts of the State Treasury in VND	12,883	20,149
<i>Borrowing from the State Bank of Vietnam</i>		
Repurchase agreements (REPO))	434,611	921,816
	447,494	941,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

13. DUE TO BANKS

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Current accounts from other banks	53,593	121,459
Term deposits from other banks	7,916,403	7,177,562
Borrowings from other banks	200,000	-
Other borrowings	84	421
	<u>8,170,080</u>	<u>7,299,442</u>

14. CUSTOMER DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
<i>Demand deposits</i>	1,399,198	939,156
Demand deposits in VND	1,259,338	824,562
Demand saving deposits in VND	126,119	95,976
Demand deposits in FC	10,915	14,025
Demand saving deposits in FC	2,826	4,593
<i>Term deposits</i>	8,463,457	4,035,867
Term deposits in VND	3,741,579	1,348,975
Term saving deposits in VND	4,340,044	2,510,770
Term deposits in FC	173,271	-
Term saving deposits in FC	208,563	176,122
<i>Margin deposits</i>	54,889	19,520
Margin deposits in VND	40,600	18,441
Margin deposits in FC	14,289	1,079
<i>Deposits for specific purposes</i>	23	1
<i>Other payables to customers</i>	22,344	11,320
	<u>9,939,911</u>	<u>5,005,864</u>

15. VALUABLE PAPERS ISSUED

	1 Dec 2007 VNDm	31 Dec 2006 VNDm
<i>Bills</i>	2,523,936	1,292,447
3 month term	90,105	173,451
6 month term	36,550	144,619
9 month term	4,168	28,546
364 day term	2,383,519	930,892
Other bills with terms under 12 months	9,594	14,939
<i>Bonds</i>	3,498,528	2,088,542
12 to 24 month term	1	15
24 to 60 month term	3,498,527	2,088,527
	<u>6,022,464</u>	<u>3,380,989</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

16. OTHER BORROWED FUNDS

	1 Dec 2007 VNDm	31 Dec 2006 VNDm
Funds borrowed from Agence Française de Développements through the Ministry of Finance	523,618	315,240
Funds from Rural Development Finance Project – Phase II	438,177	410,102
Funds borrowed from The Asian Development Bank	624	-
Funds borrowed from MHB Real Estate and Building Joint Stock Company (MHBR)	36,500	-
	<u>998,919</u>	<u>725,342</u>

17. ENTERPRISE INCOME TAXES

The Bank has the obligation to pay Enterprise Income Tax (“EIT”) at the rate of 28 percent of taxable profits.

The Bank’s tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

	2007 VNDm	2006 VNDm
Current enterprise income tax expense	49,900	28,814
Deferred enterprise income tax expense	4,606	-
Enterprise income tax	<u>54,506</u>	<u>28,814</u>

18. CAPITAL USE TAX RESOURCE

Capital Use Tax is assessed on the total amount of the State Budget allocated to state owned enterprises including the Bank. Before 2002, state owned enterprises had to calculate capital use tax and this was considered as a liability to the State Budget. In accordance with Circular 07/1999/TT-BTC dated 25 January 1999, the Bank has been granted the concession to maintain this liability at the Bank and use it to compensate lower-interest loans provided by the Bank to specific groups of customers in accordance with specific instruction from the Ministry of Finance. Total interest subsidies granted to customers in 2007 which was deducted from the capital use tax amounted to VNDm 41 (2006: VNDm 110).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

19. OTHER LIABILITIES

	1 Dec 2007 VNDm	31 Dec 2006 VNDm
Payables to employees	105,429	49,594
Deferred interest income	61,592	25,066
Payables to MHBS' investors	112,637	-
Provision for termination allowance	2,336	2,228
Capital contributed in MHBS waiting for the approval of relevant authorities	41,664	-
Others	2,565	1,219
	<u>326,223</u>	<u>78,107</u>

20. CAPITAL ACCOUNTS

20.1. Changes in owner's equity

The chartered capital of the Bank represents capital contributions received from the Government of the Socialist Republic of Vietnam or the Ministry of Finance in the form of cash, Special Government bonds and assets from the merger with Vietnam Gemstones and Jewelry Company. Interest income received from Special Government Bonds are also directly capitalized in the chartered capital account according to Circular 100/2002/TT-BTC dated 4 November 2002 by the Ministry of Finance.

Capital accounts of the Bank as at 31 December 2007 and 2006 were as follows:

	<i>Chartered capital</i> VNDm	<i>Other capital</i> VNDm	<i>Total</i> VNDm
Balance as at 1 January 2006	767,600	29,391	796,991
Capital increase from receipts of interest income on Special Government bonds in the year	<u>6,600</u>	<u>-</u>	<u>6,600</u>
Balances as at 31 December 2006	<u>774,200</u>	<u>29,391</u>	<u>803,591</u>
Capital increase from receipts of interest income on Special Government bonds in the year	6,600	-	6,600
Transferred to Chartered capital	<u>29,391</u>	<u>(29,391)</u>	<u>-</u>
Balances as at 31 December 2007	<u>810,191</u>	<u>-</u>	<u>810,191</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

20. CAPITAL ACCOUNTS (continued)

20.2. Statutory reserves

	<i>Supplement- ary capital reserve VNDm</i>	<i>Business & development reserve VNDm</i>	<i>Financial risk reserve VNDm</i>	<i>Bonus and Welfare funds VNDm</i>	<i>Total VNDm</i>
As at 1 January 2006	4,819	25,818	5,722	16,761	53,120
Create reserves for 2006	3,663	34,796	6,959	27,836	73,254
Addition in the year	-	-	-	(1,776)	(1,776)
As at 31 December 2006	8,482	60,614	12,681	42,821	124,598
Create reserves for 2007	6,179	58,698	11,739	46,960	123,576
Utilization in the year	-	-	-	(4,455)	(4,455)
As at 31 December 2007	14,661	119,312	24,420	85,326	243,719

21. INTEREST AND SIMILAR INCOME

	<i>2007 VNDm</i>	<i>2006 VNDm</i>
Interest income from loans to customers	1,444,491	1,122,360
Interest income from placements with and loans to other banks	186,697	138,409
Interest income from trading, investment in debt securities	377,561	225,757
Interest from other activities	8,422	8,597
	2,017,171	1,495,123

22. INTEREST AND SIMILAR EXPENSES

	<i>2007 VNDm</i>	<i>2006 VNDm</i>
Interest expense on customer deposits	1,040,858	563,442
Interest expense on borrowings and deposits from other banks	69,732	497,380
Interest expense on valuable papers issued	312,723	-
Other interest expenses	-	5,559
	1,423,313	1,066,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

23. NET GAIN FROM FEES AND COMMISSION

	2007 VNDm	2006 VNDm
Fees and commission income from:		
Settlement services	6,356	4,779
Treasury activities	138	92
Other fees and commission	13,084	2,202
	<u>19,578</u>	<u>7,073</u>
Fees and commission expense on:		
Settlement services	(3,755)	(1,791)
Treasury activities	(3,711)	(2,429)
Other fees and commission	(2,086)	(560)
	<u>(9,552)</u>	<u>(4,780)</u>
Net gain from fee and commission	<u>10,026</u>	<u>2,293</u>

24. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2007 VNDm	2006 VNDm
<i>Income from dealing in foreign currencies</i>		
Income from FX dealing at spot	21,314	5,618
Income from gold dealing	148	340
<i>Expense on dealing in foreign currencies</i>		
Expense on FX dealing at spot	(4,050)	(4,048)
Expense on gold dealing	(1)	-
Net gain/(loss) from dealing in foreign currencies	<u>17,411</u>	<u>1,910</u>

25. NET GAIN FROM DEALING IN TRADING SECURITIES

	2007 VNDm	2006 VNDm
Income from trading securities	18,367	-
Expense on trading securities	(3,478)	-
Provision for impairment	(7,014)	-
	<u>7,875</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

26. NET GAIN FROM DEALING IN INVESTMENT SECURITIES

	2007 VNDm	2006 VNDm
Gain from disposal of equity available for sale securities	10,313	-

27. OTHER OPERATING EXPENSES

	2007 VNDm	2006 VNDm
Taxes and fees	2,076	2,172
Business trip expenses	7,631	6,338
Training and education expenses	3,246	2,097
Research and development expenses	2,540	743
Telecommunication expenses	6,832	5,193
Marketing, promotion and seminars expenses	31,987	31,946
Newspapers and publications	16,073	10,768
Repair and maintenance expenses	5,890	5,167
Tools and equipment expenses	9,802	6,117
Insurance for assets of the Bank	496	482
Office rental	18,778	14,236
Insurance for customer deposits	5,574	4,049
Others	42,355	22,343
	153,280	111,651

28. CASH AND CASH EQUIVALENTS

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

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Cash and cash equivalents on hand	227,510	115,918
Balances with the State Bank of Vietnam	402,160	261,926
Current accounts with other banks	558,984	413,256
Placements with and loans to other banks due within 3 months	2,594,197	2,430,756
	3,782,851	3,221,856

29. CUSTOMERS' COLLATERALS

	Book value	
	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Real estate	22,149,069	27,943,351
Movable properties	873,214	1,042,976
Valuable papers	591,072	1,198,107
Others	313,310	1,281,873
	23,926,665	31,466,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

30. OBLIGATION TO THE STATE BUDGET

	<i>Balance as at 1</i>	<i>Current year</i>		<i>Balance as at 31</i>
	<i>January 2007</i>	<i>Payable</i>	<i>Paid</i>	<i>December 2007</i>
	VNDm	VNDm	VNDm	VNDm
Value Added Tax	58	1,227	(1,039)	246
Enterprise Income Tax	6,414	49,900	(37,624)	18,690
Property Tax	-	96	(96)	-
Land Rentals	-	308	(308)	-
Other taxes	102	794	(840)	56
Fees and other collections	-	984	(984)	-
	6,574	53,309	(40,891)	18,992

Total prior year tax payables transferred to current year tax payables at year end: Nil

In which: Enterprise income tax: Nil

31. CONTINGENT LIABILITIES AND OUTSTANDING COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the balance sheet.

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

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

Commercial at sight letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

Deferred commercial letters of credit generate risks if the customers fail to make payment to beneficiaries upon completion of the contracts. Such letters of credit will be treated as compulsory loans to customers equivalent to financial obligation the Bank has paid to beneficiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

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

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

	31 Dec 2007 VNDm	31 Dec 2006 VNDm
Financial guarantees	66,166	42,926
At sight letters of credit	75,969	18,810
Others	151	-
	142,286	61,736

32. 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 within a narrow range. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. However, 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.

Break down of assets and liabilities by original currency as at 31 December 2007, which have been converted into VNDm is as follows:

	VNDm	USD equivalent VNDm	Other currencies equivalent VNDm	Total VNDm
ASSETS				
Cash and cash equivalents	196,815	29,872	823	227,510
Balances with the State Bank of Vietnam	379,440	22,720	-	402,160
Due from banks	4,034,832	426,323	216,944	4,678,099
Trading securities (*)	557,615	-	-	557,615
Loans to customers (*)	13,674,914	250,085	-	13,924,999
Investments in securities (*)	7,142,332	6,309	-	7,148,641
Fixed assets	232,397	-	-	232,397
Other assets	530,415	2,684	2,383	535,482
TOTAL ASSETS	26,748,760	737,993	220,150	27,706,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

32. CURRENCY RISK (continued)

Break down of assets and liabilities by original currency as at 31 December 2007, which have been converted into VNDm is as follows: (continued)

	VNDm	USD equivalent VNDm	Other currencies equivalent VNDm	Total VNDm
LIABILITIES, OWNER'S EQUITY AND MINORITY INTEREST				
LIABILITIES				
Borrowing from the State Treasury and the State Bank of Vietnam	447,494	-	-	447,494
Due to banks	8,018,606	151,474	-	8,170,080
Customer deposits and other amounts due to customers	9,529,313	409,488	1,110	9,939,911
Valuable papers issued	6,011,719	10,745	-	6,022,464
Other borrowed funds	996,844	2,075	-	998,919
Other liabilities	848,401	8,787	5	857,193
TOTAL LIABILITIES	25,852,377	582,569	1,115	26,436,061
TOTAL OWNER'S EQUITY	1,069,197	-	-	1,069,197
MINORITY INTEREST	26,294	-	-	26,294
TOTAL LIABILITIES, OWNER'S EQUITY AND MINORITY INTEREST	26,947,868	582,569	1,115	27,531,552
NET EXPOSURE	(199,108)	155,424	219,035	175,351

(*): These items do not include provision for impairment and credit losses.

33. OPERATING LEASE COMMITMENTS

	2007 VNDm	2006 VNDm
Commitments in respect of irrevocable operating leases	44,752	36,968
<i>In which:</i>		
<i>Due within one year</i>	14,199	12,826
<i>Due from two to five years</i>	28,660	22,297
<i>Due after five years</i>	1,893	1,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2007

34. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these consolidated financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2007 that significantly impacted the consolidated financial position of the Bank as at 31 December 2007.

35. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE YEAR END

	<i>31 Dec 2007</i>	<i>31 Dec 2006</i>
	VND	VND
United States Dollar	16,114	16,091
Euro	23,452	21,016
Swiss Franc	31,814	31,365
British Pound	14,144	13,049
Japanese Yen	142	134
Singaporean Dollar	11,005	10,399
Canadian Dollar	16,245	13,772
Australian Dollar	14,004	12,630
Thai Baht	487	434
Hong Kong Dollar	2,040	2,055
Chinese Yuan	2,072	-