

Reference: 21105/21206

AUDITORS' REPORT
on the financial statements of Housing Bank of Mekong Delta
for the year ended 31 December 2005

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

We have audited the accompanying Balance Sheet of Housing Bank of Mekong Delta ("the Bank") as at 31 December 2005, and the related Statements of Income and Retained Earnings, and Cash flows for the year then ended and the notes thereto ("the financial statements") as set out on pages 4 to 39. These financial statements are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

Except as discussed in the following paragraph, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying notes to the financial statements include information on the activities of the Bank to the extent the information was available, which does not fulfill certain Vietnamese Accounting Standards ("VAS") disclosure requirements. The accompanying notes do not include a maturity analysis of assets and liabilities and other disclosures as required by VAS 22 - "Disclosures in the Financial Statements of Banks and Similar Financial Institutions".

Opinion

In our opinion, except for the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2005 and the results of its operations and cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System for Credit Institutions and with other relevant financial and accounting regulations stipulated by the State Bank of Vietnam.

Tran Dinh Cuong
 Deputy General Director
 Registered Auditor
 Certificate No. 0135/KTV

Vo Tan Hoang Van
 Auditor in-charge
 Registered Auditor
 Certificate No. 0264/KTV

Hanoi, Vietnam

31 January 2006

Housing Bank of Mekong Delta

BALANCE SHEET

As at 31 December 2005

	2005 VNDm	2004 VNDm
ASSETS		
Cash and cash equivalents on hand	97,144	75,187
Balances with the State Bank of Vietnam	145,379	59,529
Current accounts with other banks	245,054	311,360
Placements with and loans to other banks	1,745,237	1,044,173
Investments in securities	1,703,076	560,226
Loans to customers	8,436,973	5,968,281
Provision for credit losses	(92,799)	(75,374)
Tangible fixed assets	107,245	105,707
Intangible assets	75,060	38,849
Construction in progress and unused fixed assets	4,452	3,665
Accrued interest income	129,944	84,762
Other assets	33,060	20,328
TOTAL ASSETS	12,629,825	8,196,693
LIABILITIES AND OWNER'S EQUITY		
LIABILITIES		
Current accounts of the State Treasury and other banks	63,381	57,073
Borrowings from the State Bank of Vietnam	337,008	96,143
Term deposits and borrowings from other banks	4,266,686	2,247,368
Other borrowed funds	992,126	1,109,344
Customer deposits and other amounts due to customers	5,802,422	3,696,872
Enterprise income tax payable	7,121	1,381
Accrued interest expenses	229,367	136,282
Capital use tax resource	38,788	38,919
Other liabilities	42,815	19,620
TOTAL LIABILITIES	11,779,714	7,403,002
OWNER'S EQUITY		
Chartered capital	767,600	747,800
Other capital	29,391	33,422
Statutory reserves	53,120	10,605
Retained earnings	-	1,864
TOTAL OWNER'S EQUITY	850,111	793,691
TOTAL LIABILITIES AND OWNER'S EQUITY	12,629,825	8,196,693
OFF - BALANCE SHEET ITEMS	31,272	52,637

STATEMENT OF INCOME
for the year ended 31 December 2005

	2005 VNDm	2004 VNDm
OPERATING INCOME		
Interest and similar income	947,840	588,439
Interest and similar expense	(652,656)	(384,385)
NET INTEREST AND SIMILAR INCOME	295,184	204,054
Fees and commission income	4,986	2,607
Fees and commission expense	(5,057)	(2,655)
Net gain/(loss) from dealing in foreign currencies	(91)	1,053
Net income from investments in securities	50,914	25,660
Net gain from other activities	1,037	4,610
TOTAL OPERATING INCOME	346,973	235,329
OPERATING EXPENSES		
Payroll and other staff costs	(119,224)	(70,080)
Depreciation and amortization charges	(22,904)	(19,591)
Other operating expenses	(99,090)	(84,971)
TOTAL OPERATING EXPENSES	(241,218)	(174,642)
NET OPERATING INCOME	105,755	60,687
Provision for credit losses in the year	(79,870)	(30,349)
Reversal of provision for credit losses in the year	47,220	11,908
Provision for off-balance sheet commitments	(158)	-
PROFIT BEFORE TAXATION	72,947	42,246
Enterprise income tax	(20,425)	(8,073)
NET PROFIT FOR THE YEAR	52,522	34,173

STATEMENT OF CASH FLOW
for the year ended 31 December 2005

	2005 VNDm	2004 VNDm
OPERATING ACTIVITIES		
Profit before taxation	72,947	42,246
<i>Adjustments for:</i>		
Depreciation and amortization charges	22,904	19,591
Provision for credit losses	32,650	18,441
Gain on disposal of fixed assets	(119)	-
Operating income before changes in working capital	128,382	80,278
<i>(Increase)/Decrease in operating assets</i>		
Placements with and loans to banks	(396,074)	(781,321)
Investments in securities	(1,142,850)	(209,000)
Loans to customers	(2,468,692)	(2,098,666)
Bad debts written off	(15,225)	-
Accrued interest income	(47,026)	(30,396)
Other assets	(12,732)	8,363
<i>Increase/(Decrease) in operating liabilities</i>		
Borrowings from the State Bank of Vietnam	240,865	94,000
Term deposits and borrowings from other banks	2,279,903	1,068,147
Other borrowed funds	(117,218)	449,344
Customer deposits and other amounts due to customer	2,105,550	921,335
Accrued interest expenses	93,085	75,480
Capital use tax resource	(131)	(175)
Other liabilities	22,882	(6,991)
Other adjustment	-	3,264
	670,719	(426,338)
Tax paid in the year	(15,101)	(6,090)
Net cash inflows/(outflows) from operating activities	655,618	(432,428)
INVESTING ACTIVITIES		
Acquisitions of construction in progress and fixed assets	(61,843)	(64,069)
Proceeds from disposal of fixed assets	522	1,196
Net cash outflows from investing activities	(61,321)	(62,873)
FINANCING ACTIVITIES		
Capital increase from receipt of interest income on Special Government bonds	6,600	6,600
Reserves utilized	(129)	(9,957)
Others	-	(371)
Net cash inflows/(outflows) from financing activities	6,471	(3,728)
Net cash inflows/(outflows) in the year	600,768	(499,029)
Cash and cash equivalents at the beginning of the year	(41,601)	457,428
Cash and cash equivalents at the end of the year	559,167	(41,601)

I. GENERAL

1. Background

Housing Bank of Mekong Delta (herein referred to as "MHB" or the "Bank") is a Vietnamese State-owned commercial bank 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/QD-NHNN5 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 was 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.

Registered Capital

The original registered capital of the Bank as nominated by the Government was VNDm 500,000. The actual chartered capital of the Bank as at 31 December 2005 was VNDm 767,600 (2004: VNDm 747,800).

Locations

The Head Office of the Bank is located at 9 Vo Van Tan, District 3, Ho Chi Minh City, Vietnam. As at 31 December 2005, the Bank had one (1) Head Office, one (1) Operation Center, one (1) Representative Office in Hanoi and twenty eight (28) main operating branches located in cities and provinces throughout the country.

Employees

Total employees of the Bank as at 31 December 2005 were 2,047 persons (2004: 1,850 persons).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation

The financial statements of the Bank, which are expressed in millions of Vietnam 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. 1145/QD dated 18 October 2002 issued by the Governor of the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per the:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3); and
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4).

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying Balance Sheet, related Statements of Income and Retained Earnings and Cash flows and the notes thereto and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2. Fiscal year

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

2.3. Loan to customers

Loans to customers are disclosed at the principal amounts outstanding at the end of the financial year.

II. DETAILS OF SELECTED BALANCES IN THE FINANCIAL STATEMENTS

1. FIXED ASSETS

1.1. Tangible Fixed Assets

Tangible fixed assets are as follows:

	Buildings & structures VNDm	Machinery & equipment VNDm	Motor vehicle & transmission device VNDm	Others VNDm	Total VNDm
Cost					
Beginning balance	61,304	39,295	38,638	15,387	154,624
Additions in the year	13,091	8,489	4,539	2,849	28,968
<i>In which:</i>					
<i>Newly purchased</i>	11,382	8,489	4,539	2,254	26,664
<i>Newly constructed</i>	1,709	-	-	595	2,304
Transfers(to)/from intangible assets	(7,000)	-	-	99	(6,901)
Decreases	-	(821)	(314)	(34)	(1,169)
<i>In which</i>					
<i>Disposed</i>	-	(821)	(314)	(34)	(1,169)
<i>Other reduction</i>	-	-	-	-	-
Ending balance	67,395	46,963	42,863	18,301	175,522
<i>In which</i>					
<i>Unused</i>	-	-	-	-	-
<i>Fully depreciated</i>	-	-	-	-	-
<i>Waiting to be disposed</i>	-	-	-	-	-
Accumulated depreciation					
Beginning balance	10,492	18,073	14,400	5,952	48,917
Charge for the year	1,096	9,627	6,551	3,253	20,527
Disposals	-	(845)	(288)	(34)	(1,167)
Ending balance	11,588	26,855	20,663	9,171	68,277
Net book value					
Beginning balance	50,812	21,222	24,238	9,435	105,707
Ending balance	55,807	20,108	22,200	9,130	107,245

1.2 Intangible Assets

Intangible assets are as follows:

	Land use right VNDm	Total VNDm
Cost		
Beginning balance	39,431	39,431
Additions in the year	32,088	32,088
Transfers from tangible fixed assets	6,901	6,901
Disposals	(481)	(481)
Ending balance	77,939	77,939
Accumulated amortization		
Beginning balance	582	582
Charge for the year	2,377	2,377
Disposals	(80)	(80)
Ending balance	2,879	2,879
Net book value		
Beginning balance	38,849	38,849
Ending balance	75,060	75,060

2. DETAILS OF INCOME AND EXPENSE

in VNDm

ITEMS	2005	2004
A. INCOME	1,006,648	624,739
I. INCOME FROM CREDIT ACTIVITIES	884,040	565,195
1. Income from lending interest	878,064	543,183
2. Income from guarantee operation	351	43
3. Other income from credit activities	5,625	21,969
II. INCOME FROM PAYMENT AND TREASURY SERVICES	68,021	25,851
1. Income from deposit interest	64,151	23,244
2. Income from payment service	3,814	2,556
3. Income from treasury service	56	51
III. INCOME FROM OTHER ACTIVITIES	54,587	33,693
1. Income from capital contribution and share acquisition	-	-
2. Income from activities in the money market	50,914	25,680
3. Income from dealing in foreign currencies	1,667	1,333
4. Income from trust and agent activities	148	-
5. Income from other banking activities	617	5,707
6. Other income	1,241	973

in VNDm

ITEMS	2005	2004
B. EXPENDITURE	933,701	582,493
I. EXPENDITURE ON FUNDS MOBILIZATION	652,656	384,385
1. Payment of deposit interests	482,941	279,722
2. Payment of borrowing interests	41,934	25,419
3. Payment of interests of valuable papers	102,643	78,678
4. Other expenditure	25,138	566
II. EXPENDITURE ON PAYMENT AND TREASURY SERVICES	3,524	2,654
1. Expenditure on payment service	1,762	1,453
2. Payment of telecommunication fee	77	106
3. Expenditure on treasury service	1,414	1,049
4. Expenditure on other service	271	46
III. OTHER EXPENDITURE	1,962	1,399
1. Expenditure on the money market participation	-	20
2. Expenditure in dealing foreign currencies	1,962	1,379
IV. EXPENDITURE ON ASSETS	44,502	45,620
1. Depreciation of fixed assets	22,904	19,591
2. Maintenance and repair of assets	4,707	4,236
3. Working tools	6,576	12,332
4. Payment of asset insurance	496	446
5. Payment of asset lease fee	9,819	9,016
V. EXPENDITURE ON EMPLOYEES	119,224	70,080
1. Expenditure on salary and compensation	119,151	59,414
2. Other expenditure	73	10,667
VI. TAX AND OBLIGATORY FEES	1,652	695
1. Tax payments	634	333
2. Fee payments	1,018	362
VII. EXPENDITURE ON MANAGEMENT AND ADMINISTRATIVE ACTIVITIES	73,012	56,148
1. Payment of material and printing paper	11,673	5,408
2. Business travel expense	5,581	3,592
3. Expenditure on training and education	2,863	3,082
4. Expenditure on R/D and initiatives	144	826
5. Expenditure on post and telecommunications	4,833	3,801
6. Expenditure on commission, assets re-lease, disposal of pledged assets, debt recovery	49	-
7. Expenditure on advertisement, marketing, promotion, public relation, meeting and other	31,554	29,557
8. Other general and administration expenses	16,315	9,882

in VNDm

ITEMS	2005	2004
VIII. EXPENDITURE FOR PROVISION AND DEPOSIT INSURANCE	35,684	20,504
1. Expenditure for provision	32,808	18,441
2. Expenditure for deposit insurance	2,876	2,063
IX. OTHER EXPENDITURE	1,485	1,008

3. OBLIGATIONS TO THE STATE BUDGET

in VNDm

ITEMS	Beginning balance	Current year		Ending balance
		Payable	Paid	
I. Taxes	1,453	22,179	(16,443)	7,189
1. VAT on domestic sales	72	815	(819)	68
2. VAT for imported goods	-	-	-	-
3. Special Sales Tax	-	-	-	-
4. Import/export duties	-	-	-	-
5. Enterprise Income Tax	1,381	20,841	(15,101)	7,121
6. Capital use tax	-	-	-	-
7. Natural Resource Tax	-	-	-	-
8. Property Tax	-	208	(208)	-
9. Land rental	-	158	(158)	-
10. Other taxes	-	157	(157)	-
II. Other obligations	-	1,018	(1,018)	-
1. Extra collections	-	-	-	-
2. Fees	-	1,018	(1,018)	-
3. Other obligations	-	-	-	-
TOTAL	1,453	23,197	(17,461)	7,189

Total prior year tax liabilities carried forward as at year - end: VNDm 416

In which: Enterprise Income Tax: VNDm 416

4. INCREASE, DECREASE OF THE SOURCE AND UTILIZATION OF FUNDS

in VNDm

ITEMS	Opening Balance	Changes in the year		Closing Balance
		Debit	Credit	
A. SOURCE OF FUNDS	8,196,693	252,769,405	248,336,273	12,629,825
I. FUNDS MOBILISATION	6,778,896	35,863,378	32,208,245	10,434,029
1. Deposit	5,790,672	32,785,075	30,683,934	7,891,813
1.1. In VND	5,240,499	30,518,015	28,384,306	7,374,208
a) Economic organizations	3,658,501	26,011,230	24,265,443	5,404,288
b) Saving deposits	1,574,011	4,470,887	4,105,580	1,939,318
c) Other deposits	7,987	35,898	13,283	30,602
1.2. In foreign currencies	550,173	2,267,060	2,299,628	517,605
a) Economic organizations	360,829	1,935,018	1,930,369	365,478
b) Savings deposit	188,140	332,042	368,055	152,127
c) Other deposits	1,204	-	1,204	-
2. Borrowings	147,942	1,083,600	893,776	337,766
2.1. Borrowings from State Bank of Vietnam	2,143	813,600	478,735	337,008
2.2. Borrowings from domestic credit institutions	145,799	270,000	415,041	758
2.3. Borrowings from foreign credit institutions	-	-	-	-
2.4. Funds received for co-financing	-	-	-	-
2.5. Others Borrowings	-	-	-	-
3. Bills, bonds, CDs issued	840,282	1,994,703	630,535	2,204,450
3.1. Short-term (under 12 months)	552,216	1,397,632	622,296	1,327,552
3.2. Medium, long-term (over 12 months)	288,066	597,071	8,239	876,898

4. INCREASE, DECREASE OF THE SOURCE AND UTILIZATION OF FUNDS (continued)

in VNDm

ITEMS	Opening Balance	Change in the period		Closing Balance
		Debit	Credit	
II. FUNDS ENTRUSTED FOR INVESTMENTS	398,763	1,216,887	623,524	992,126
1. In VND	395,000	1,214,291	622,063	987,228
2. In foreign currencies	3,763	2,596	1,461	4,898
III. CAPITAL AND FUNDS	791,646	304,087	245,622	850,111
1. Capital	781,222	54,689	38,920	796,991
1.1. Chartered capital	747,800	19,800	-	767,600
1.2. Capital to purchase fixed assets	-	-	-	-
1.3. Other capital	33,422	34,889	38,920	29,391
2. Funds	10,424	249,398	206,702	53,120
2.1. Reserve fund for supplementing to the chartered capital	2,214	3,983	1,378	4,819
2.2. Business development fund	6,131	23,936	4,249	25,818
2.3. Financial provision reserve	1,785	4,882	944	5,723
2.4. Other funds	294	216,597	200,131	16,760
IV. OTHER SOURCES OF FUNDS	227,388	215,385,053	215,258,882	353,559
B. USE OF FUNDS	8,196,693	324,005,968	319,572,836	12,629,825
I. CASH AND VALUABLE PAPERS	75,189	29,351,906	29,329,951	97,144
1. Cash and State Bank Payment Notes	59,294	27,204,822	27,183,621	80,495
2. Cash in foreign currencies, valuable papers denominated in foreign currencies	15,012	2,121,058	2,120,442	15,628
3. Gold, precious metal, stones	883	26,026	25,888	1,021

4. INCREASE, DECREASE OF THE SOURCE AND UTILIZATION OF FUNDS (continued)

in VNDm

ITEMS	Opening Balance	Changes in the period		Closing Balance
		Debit	Credit	
II. DEPOSITS	1,214,501	69,776,292	68,855,123	2,135,670
1. Deposits at the State Bank	59,528	33,943,596	33,857,745	145,379
1.1. Deposits in VND	49,157	33,933,865	33,846,048	136,974
1.2. Deposits in foreign currencies	10,371	9,731	11,697	8,405
2. Deposits at domestic credit institutions	1,141,567	35,176,715	34,334,932	1,983,350
2.1. Deposits in VND	559,806	23,972,717	23,123,799	1,408,724
2.2. Deposits in foreign currencies	581,761	11,203,998	11,211,133	574,626
3. Deposits in foreign countries	13,406	655,981	662,446	6,941
III. INVESTMENT IN SECURITIES	560,226	2,363,999	1,221,149	1,703,076
1. Investment in Government securities	560,226	2,183,999	1,221,149	1,523,076
2. Investment in foreign securities	-	-	-	-
3. Assets entrusted for investments	-	180,000	-	180,000
IV. JOINT-VENTURE FUND CONTRIBUTIONS	-	-	-	-
1. In VND	-	-	-	-
2. In foreign currencies	-	-	-	-
V. CREDIT ACTIVITIES	6,168,545	13,774,602	11,506,174	8,436,973
1. Lending to domestic credit institutions	1	3,400	3,401	-
1.1. Lending in VND	1	3,400	3,401	-
1.2. Lending in foreign currencies	-	-	-	-

4. INCREASE, DECREASE OF THE SOURCE AND UTILIZATION OF FUNDS (continued)

in VNDm

ITEMS	Opening Balance	Changes in the period		Closing Balance
		Debit	Credit	
2. Lending to domestic economic, industry organizations	5,411,427	12,721,319	10,138,018	7,994,728
2.1. Lending in VND	5,396,894	12,458,054	10,030,518	7,824,430
a) Short-term lending	2,671,336	8,340,034	6,733,911	4,277,459
b) Medium, long - term lending	2,725,558	4,118,020	3,296,607	3,546,971
2.2. Lending in foreign currencies	14,533	263,265	107,500	170,298
a) Short-term lending	14,533	257,661	107,498	164,696
b) Medium, long - term lending	-	5,604	2	5,602
3. Discount, mortgage of valuable papers	271,044	335,213	590,903	15,354
3.1. Discount of valuable papers	6,549	335,213	326,408	15,354
3.2. Mortgage of valuable papers	264,495	-	264,495	-
4. Lending with funds entrusted	444,975	713,791	733,806	424,960
4.1. In VND	444,975	713,791	733,806	424,960
4.2. In foreign currencies	-	-	-	-
5. Pawn operations	38,275	-	38,275	-
6. Other lending	-	-	-	-
6.1. Lending with special funds	-	-	-	-
6.2. Lending for debts settlement	-	-	-	-
6.3. Lending for State plan purposes	-	-	-	-
6.4. Other lending	-	-	-	-

4. INCREASE, DECREASE OF THE SOURCE AND UTILIZATION OF FUNDS (continued)

in VNDm

ITEMS	Opening Balance	Changes in the period		Closing Balance
		Debit	Credit	
7. Debts pending for settlement	-	503	264	239
8. Frozen debts	2,823	376	1,507	1,692
VI. FIXED ASSETS	144,556	33,543	(4,206)	182,305
1. Original cost of assets	194,055	87,447	28,041	253,461
2. Depreciation of assets	(49,499)	(53,904)	(32,247)	(71,156)
VII. OTHER ASSETS	33,676	208,705,626	208,664,645	74,657

5. CASH AND CASH EQUIVALENTS ON HAND

	2005 VNDm	2004 VNDm
Cash on hand in Vietnam Dong ("VND")	80,495	59,293
Cash and cash equivalent on hand in foreign currencies ("FC")	15,628	15,011
Gold and gemstones	1,021	883
	97,144	75,187

6. LOANS TO CUSTOMERS

	2005 VNDm	2004 VNDm
Commercial loans	8,435,281	5,965,459
Frozen loans	1,692	2,822
	8,436,973	5,968,281

Commercial loans comprise of short term, medium term and long-term loans including syndicated loans led by the Bank in both VND and USD.

Frozen loans are non-performing and have been frozen according to the instruction of the Government. Accordingly, the Bank is directed to stop accruing interest during the period the loan is frozen, which is normally from 3 to 5 years. The Government and the SBV will decide upon the resolution for each frozen loan on a case-by case basis after the frozen period expires.

7. CAPITAL ACCOUNTS

Chartered capital of the Bank represents capital contributions received by the Bank from the Government of the Socialist Republic of Vietnam or the State Bank of Vietnam in forms of cash and Special Government bonds and assets from merger with Vietnam Gemstones and Jewelry Company.

Capital accounts of the Bank as at 31 December 2005 and 2004 were as follows:

	Chartered capital VNDm	Other capital VNDm	Total VNDm
Balance as at 1 January 2004	747,800	21,898	769,698
Capital increase from the retained earnings (receipts of interest income on Special Government bonds)	-	6,600	6,600
Capital use tax for the year 2004	-	4,924	4,924
Balances as at 31 December 2004	747,800	33,422	781,222
Capital increase from receipts of interest income on Special Government bonds	6,600	-	6,600
Reclassified interest income on Special Government bonds in prior years from other capital to chartered capital	13,200	(13,200)	-
Capital use tax for the year 2005	-	9,169	9,169
Balances as at 31 December 2005	767,600	29,391	796,991

8. STATUTORY RESERVES

	Supplementary capital reserve VNDm	Business & development reserve VNDm	General risk reserve VNDm	Employee termination reserve VNDm	Bonus and welfare funds VNDm	Total VNDm
As at 1 January 2004	836	1,882	841	293	896	4,748
Create reserves for 2004	1,378	4,249	944	-	9,243	15,814
Utilizations	-	-	-	-	(9,957)	(9,957)
As at 31 December 2004	2,214	6,131	1,785	293	182	10,605
Create reserves for 2005	2,605	19,687	3,937	-	16,708	42,937
Utilizations	-	-	-	-	(129)	(129)
Reclassified to other liabilities	-	-	-	(293)	-	(293)
As at 31 December 2005	4,819	25,818	5,722	-	16,761	53,120

On 23 November 2005, the Government issued Decree No. 146/2005/ND-CP with regard to the financial regime applicable to credit institutions, which was enacted from 16 December 2005. Since the guidance of implementation of the Decree had not been issued in 2005, the Bank continues creating statutory reserves for the year 2005 based on the instructions in the Decree No 166/1999/ND-CP dated 19 November 1999 issued by the Government.

According to Decree No.166/1999/ND-CP, state owned commercial banks are required to make the following allocation of profit after tax to create statutory reserves:

	Annual allocation from the profit after tax	Maximum balance
Supplementary capital reserve	5% of the profit after tax	Chartered capital

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

General risk reserve	10% of remaining profits	25% chartered capital
Business and development reserve	50% of remaining profits	Not applicable
Bonus and welfare funds	3 months salary if current year's profit margin is not lower than previous year's and 2 months salary if current year's profit margin is lower than previous year's	Not applicable
Business development reserve	Remaining profit	Not applicable

The utilization of statutory reserves is in accordance with guidelines as discussed in Decree 166.

9. INTEREST AND SIMILAR INCOME

	2005 VNDm	2004 VNDm
Interest income from lending to customers	878,064	543,183
Interest income from deposits with other banks	64,151	23,244
Interest from other credit activities	5,625	22,012
	947,840	588,439

10. INTEREST AND SIMILAR EXPENSE

	2005 VNDm	2004 VNDm
Interest expense on customer deposits and other amounts due to customers	364,266	166,879
Interest expense on borrowings and deposits from other banks	263,250	217,506
Other interest expenses	25,140	-
	652,656	384,385

11. NET FEES AND COMMISSION INCOME/(EXPENSES)

	2005 VNDm	2004 VNDm
Fees and commission income from:		
Settlement services	3,814	2,169
Treasury activities	56	51
Other fees and commission	1,116	387
	4,986	2,607
Fees and commission expense from:		
Settlement services	(1,762)	(1,454)
Treasury activities	(1,685)	(1,050)
Other fees and commission expenses	(1,610)	(151)
	(5,057)	(2,655)
Net fees and commission income/(expenses)	(71)	(48)

12. ENTERPRISE INCOME TAX

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 financial statements could be changed at a later date upon final determination by the tax authorities.

The tax assessment for the years 2005 has not been finalised by the tax authorities.

	2005 VNDm	2004 VNDm
Current Enterprise Income Tax	20,425	8,073
Deferred Enterprise Income Tax	-	-
Enterprise Income Tax Expense	20,425	8,073

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statement of Cash flows comprise the following Balance Sheet amounts:

	2005 VNDm	2004 VNDm
Cash and cash equivalents on hand	97,144	75,187
Balances with the State Bank of Vietnam	145,379	59,529
Current accounts with other banks	245,054	311,360
Current accounts of the State Treasury and other banks	(63,381)	(57,073)
Placements with and loans to banks due within 30 days	481,971	176,981
Term deposits and borrowings from banks due within 30 days	(347,000)	(607,585)
	559,167	(41,601)

14. OFF – BALANCE SHEET ITEMS

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 recognised 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 payment letters of credits represent the amounts at risk should the contract be fully drawn upon and the client defaults in repayment to the beneficiary. Deferred payment letters of credit that were defaulted by clients are recognised by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfill the guarantor obligation.

The Bank 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.

Swap commitments represent the contracts where by the Bank and its counterpart banks swap currencies, often VND and USD at a predetermined exchange rate and point in time. The outstanding commitments are contracts with value after 31 December.

The outstanding commitments and contingent liabilities are as follows:

	2005			2004		
	Overdue VNDm	Current VNDm	Total VNDm	Overdue VNDm	Current VNDm	Total VNDm
Contingencies						
Financial guarantees	-	21,033	21,033	-	13,418	13,418
At sight letters of credit	-	10,068	10,068	-	23,650	23,650
Deferred payment letter of credit	-	-	-	-	15,569	15,569
	-	31,101	31,101	-	52,637	52,637
Commitments						
Swaps – receipt	-	16,043	16,043	-	-	-
Swaps – transfer	-	(15,872)	(15,872)	-	-	-
	-	171	171	-	-	-
	-	31,272	31,272	-	52,637	52,637

15. CAPITAL AND OPERATING LEASE COMMITMENTS

	2005 VNDm	2004 VNDm
Capital commitments in respect of premises and equipment purchases	-	-
Commitments in respect of non cancelable operating leases	11,211	37,079
<i>In which:</i>		
- Due within one year	3,527	8,791
- Due from two to five years	5,321	23,749
- Due after five years	2,363	4,539

16. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2005 that significantly impacted the financial position of the Bank as at 31 December 2005.

17. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE YEAR END

	2005 VND	2004 VND
USD	15,872	15,739
EUR	18,735	21,378
GBP	27,270	30,191
CHF	11,987	13,849
JPY	134	153
SGD	9,497	9,594
CAD	13,589	13,037
AUD	11,578	12,235
THB	380	381
HKD	2,040	2,016

MHB NETWORK

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<p>HA NOI REPRESENTATIVE OFFICE Metropole Bld., 56 Ly Thai To Str., Hoan Kiem Dist., Ha Noi Tel: 84-4-936 1935, Fax: 84-4-936 1933</p>
<p>MAIN TRANSACTION OFFICE 32 Ham Nghi Str., Dist. 1, Ho Chi Minh City Tel: 84-8-821 2813, Fax : 84-8-821 4699</p>
<p>CARD CENTER 801 Nguyen Van Linh Blv., Dist. 7, Ho Chi Minh City</p>

BRANCH	ADDRESS	TEL	FAX
LANG SON PROVINCE			
LANG SON BRANCH	22 Tran Hung Dao Str., Chi Lang Ward, Lang Son City	84-25- 81 2252	84-25- 81 2608
Chi Lang Sub-Branch	Chinh Zone, Dong Mo Town, Chi Lang Dist.	84-25- 82 1518	84-25- 82 1648
Dong Dang Sub-Branch	Vuon Sai Zone, Dong Dang Town, Cao Loc Dist.	84-25- 85 0668	84-25- 85 3135
Ky Lua Sub-Branch	204 Tran Dang Ninh Str., Hoang Van Thu Ward, Lang Son City	84-25- 87 6390	84-25- 71 2637
PHU THO PROVINCE			
PHU THO BRANCH	1478 Hung Vuong Avenue, Viet Tri City	84-210- 84 0089	84-210- 85 9239
No.1 Sub-Branch	1592 Hung Vuong Avenue, Viet Tri City	84-210- 81 2969	84-210- 81 2968
No.2 Sub-Branch	42 Nam Str., Phong Chau Town, Phu Ninh Dist.	84-210- 83 0727	84-210- 83 0189
QUANG NINH PROVINCE			
QUANG NINH BRANCH	Sector 11 Zone 1, Tran Hung Dao Ward, Ha Long City	84-33- 82 5492	84-33- 65 8117
Ha Long Sub-Branch	54 Le Thanh Tong Str., Ha Long City	84-33- 82 8227	
Yen Hung Sub-Branch	60 Le Loi Str., Quang Yen Town, Yen Hung Dist.	84-33- 87 5246	84-33- 87 5246
Cam Pha Sub-Branch	349 Cam Thanh Ward, Cam Pha Town	84-33- 72 7027	84-33- 72 7027
Mong Cai Sub-Branch	109 Tran Phu Str., Mong Cai Town	84-33- 88 1441	84-33- 88 1441
Bai Chay Sub-Branch	14 Ha Long Str., Bai Chay Ward	84-33- 84 5581	84-33- 84 5581