

TECHCOMBANK



# Strong Breakthrough

ANNUAL REPORT 2010

[www.techcombank.com.vn](http://www.techcombank.com.vn)

**TECHCOMBANK** 

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**TECHCOMBANK** 

# OVERVIEW OF TECHCOMBANK

**Strong Breakthrough** - Vietnam Technological and Commercial Joint Stock Bank, more commonly known as Techcombank, was established in 1993 and headquartered in Hanoi.





Techcombank is currently one of the largest joint stock banks in Vietnam, consistently posting growth in excess of 30% for both total assets and annual turnover. By the end of 2010, total assets of Techcombank reached over VND 150,000 billion.

With an extensive network spanning nearly 300 branches / TSO and more than 1,000 ATMs; and a strong workforce of 7,000 professionally trained staff, Techcombank is well-placed to serve more than 50,000 enterprises and 1.3 million individual customers all over the country.

Collaborating with HSBC, our strategic shareholder holding the maximum stake of 20%, and the strategic consulting firm McKinsey, Techcombank has rolled out Program TechcomOne. This is a comprehensive strategic plan for the period 2009-2014, with the aim to transform Techcombank into the best bank and leading business in Vietnam.

Program TechcomOne was extensively implemented across the entire organization in 2010, bringing about fundamental changes that set the platform for Techcombank to develop into a modern bank. This puts us in good stead for strong breakthroughs in 2011 and beyond.

## ▶ TABLE OF CONTENTS

	Vision, Mission & 5 Core Values	2-3
	Message from the Chairman Message from the Chief Executive Officer Organizational Structure Leadership Team	6-7 8-9 10-11 12-19
	10 Highlights in 2010 Awards & Accolades Operations Review Banking Services Risk Management Corporate Social Responsibilities	22-25 26-27 28-33 34-45 46-49 50-51
	Consolidated Financial Statements	54-97
	Branch Network	100



# Vision

Techcombank aspires to be the best bank and a leading business in Vietnam.



# Mission

- ▶ To be the preferred and most trusted financial partner of our customers, providing them with a full range of financial products and services through a personalized/customer centric relationship.
- ▶ To provide our employees with a great working environment where they have multiple opportunities to develop, contribute and build a successful career.
- ▶ To offer our shareholders superior long term returns by executing a fast growth strategy while enforcing rigorous corporate governance and risk management best practices.

# 5 core values

- ▶ **CUSTOMER FIRST**  
We treasure our customers and work hard to offer them the products and services that best meet their needs.
- ▶ **INNOVATION**  
We are good but can always be better therefore we never stop learning and improving.
- ▶ **TEAM WORK**  
We can achieve our goals by trusting our colleagues and collaborating to deliver the best to the bank.
- ▶ **PEOPLE DEVELOPMENT**  
We develop our people to achieve their best potential and reward our best performers.
- ▶ **ACCOUNTABILITY**  
When we commit to do something, we do whatever it takes to get things done.



# Leveraging sound Foundations to jump-start **Breakthrough**



## **OUTSTANDING EXECUTION OF BUSINESS STRATEGIES**

Techcombank drives for strong breakthrough in 2011 by focusing on excellence in executing its business strategies in three key categories, namely, Small and Medium sized Enterprise Banking, Transaction Banking and Personal Financial Service, which focuses primarily on Priority Banking.



# MESSAGE FROM THE CHAIRMAN

2010 continued to be a successful year for Techcombank, illuminated by the momentous “Best Bank in Vietnam 2010” award from Euromoney, the world’s leading financial magazine. For the first time, profit after tax of Techcombank exceeded USD 100 million and, also for the first time, the Bank moved up to second position among commercial joint-stock banks in total assets while maintaining the top position among banks in terms of profitability (ROA and ROE). Benefiting from the strong support by shareholders, Techcombank successfully issued VND 3,000 billion worth of convertible bonds at the end of 2010, thus improving its financial capacity, as evidenced by its high capital adequacy ratio (CAR) of 13.11%. Last year, Techcombank also recorded the fastest network expansion with nearly 300 branches, and over 1,000 ATMs all over the country.

As a pioneer in strategic transformation, in 2010, with the support from the world’s leading strategic consulting firm McKinsey & Co., Techcombank made substantial changes to its business directions and organizational structure. The Bank developed new SME and PFS business strategies. In 2011, Techcombank will make **strong breakthrough** by efficiently implementing the comprehensive SME business strategy, CB business strategy with transaction banking being the priority and PFS business strategy with **Priority Banking** being a focus. Techcombank will also cooperate closely with strategic shareholder HSBC to continue enhancing risk management capacity, financial planning, and talent development, while continuing the intensive investment in the information technology system which has been the Bank’s strength.

It is forecasted that 2011 will continue to be a year of many difficulties as right from the beginning of the year, the already slow recovery of the World’s economy has faced big challenges such as political instability in North Africa and the Middle East, earthquake and tsunami in Japan. In Vietnam, probability of high inflation and the State’s tightened monetary measures indicate the local economy will probably not maintain a high growth rate like before. The Board of Directors and the Board of Management of Techcombank have prepared tactical changes to the business plan to ensure that in 2011, Techcombank will continue to overcome macroscopic difficulties and well achieve the business targets which have been committed with the shareholders.

In the long term, in its 5-year development strategy, Techcombank subscribes to the mission to “offer our shareholders attractive and superior long term returns by executing a fast growth business strategy while enforcing rigorous corporate governance and risk management practices by international standards.” To this end, the Board of Directors of Techcombank commits to using its valuable financial resources in effective business activities while being consistent with and determined about the transformation with a view to becoming the first Vietnamese bank to reach international standards.

On behalf of the Board of Directors of Techcombank, I would like to thank you, our valued shareholders, partners, and customers for your attention and support for the Bank in the past. I also hope that you will always support and align yourself with us in the course of becoming the best bank and leading enterprise in Vietnam.



**HO HUNG ANH**  
Chairman of the Board of Directors



“The mission of Techcombank is to offer our shareholders attractive and superior long-term returns by executing a fast growth business strategy while enforcing rigorous corporate governance and risk management practices by international standards.”

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

## DEAR VALUED CUSTOMERS, PARTNERS, AND SHAREHOLDERS!

Techcombank once again demonstrated its resilience and strength by weathering the turmoil and delivering considerable growth in scale and performance in 2010. Moreover, the successful outcome of strategic initiatives that were implemented across the entire organization enables Techcombank to continue making a “strong breakthrough”.

The key performance indicators summed up our success stories. Total assets of the Bank grew 62.3% YOY to VND 150,291 billion, ahead of plan by 17% while profit before tax reached VND 2,744 billion, up 21.8% against 2009. Total mobilized capital was VND 108,334 billion, up almost 50% against 2009. In particular, retail deposits, the most stable source of capital, rose up 44.4% against the end of 2009. As at 31 December 2010, total outstanding loans reached VND 52,928 billion, up 25.7% against 2009. By the end of 2010, the Bank’s capital adequacy ratio (CAR) was 13.11%, far surpassing the State Bank’s requirement of 9%. On 28 December 2010, Techcombank successfully issued 30 million convertible bonds, an equivalent of VND 3,000 billion, which both helped raise the CAR and confirmed shareholders’ trust and appreciation of Techcombank in times of difficult access to capital sources.

Starting in late 2009, Techcombank has been vigorously transforming and restructuring all function units towards professionalization to gear up for future breakthroughs. In 2010, we mobilized our all resources to consolidate our foundations in order to transform Techcombank into a modern bank, including **human resources, risk management, technology, and branch network**.

**Firstly**, we continued to build up and bring into play the core value of “human resource development”. Last year, we implemented a number of HR initiatives to realize the mission of “creating the best working environment for employees”. Under the guidance of the Board of Directors and the assistance of strategic consultant McKinsey, we developed a concrete “personnel policy” with specific and clear-cut principles for each level of the Bank’s development path. Our workforce in 2010 was 6,960, up 38% against 2009. Noteworthy, we conducted a total of 559 internal and 207 external

training courses for 23,297 trainees; and completed performance assessment on and corporate title granting to 5,000 employees. Suffice it to say, Techcombank will continue to leverage on staff capabilities and professionalism as key factors for rapid and sustainable growth.

**Secondly**, we broadened our comprehensive risk management framework in 2010 and ensured rigorous oversight in our business. This helped keep the ratio of non-performing loans (NPLs) at 2.29% as of 31 December 2010. Our risk management policies and procedures enabled the Bank leadership to solidly execute in the face of complicated economic developments, and manage liquidity and interest rate risks in the money market efficiently.

**Thirdly**, based on our hi-tech foundation that was gradually built up over many years, our IT units successfully implemented over 30 projects in 2010 focusing on the development and the deployment of comprehensive IT management processes and IT risk management. Meanwhile, the Bank continued to be a pioneer in e-banking with the robust growth of F@st I-bank service and introduction of F@st MobiPay, a mobile banking service greatly favored by customers.

**Fourthly**, in 2010, Techcombank set up an additional 94 branches and transaction offices, expanding our total network from 188 to 282 locations nationwide. Besides, we shifted our geographical region-based management model to economic zone-based one and introduced business tactics suitable to specific zones in order to boost business management efficiency.

With active support from **the leading strategic consultant** firm McKinsey, we achieved encouraging results last year during the initial phase of **TechcomOne**, a 5-year transformation project for the 2009-2014 period. As a result, the Bank’s position and status improved by leaps and bounds with our core values and brand widely recognized in the community

Ushering in 2011, Techcombank sets high expectations with aggressive financial targets such as raising total assets to VND 188,000 billion, delivering profit before tax of VND 4,000 billion, reducing NPL ratio to 2.04%, expanding network to 360 branches, and outperforming the market with superior ROA, ROE, mobilized capital, and total outstanding loans among the major commercial joint-stock banks.



“ Techcombank once again demonstrated its resilience and strength by weathering the turmoil and delivering considerable growth in scale and performance in 2010. ”

To realize the above ambitious financial targets, we will constantly strengthen, improve, and develop our core activities, by:

- Continuing to implement programs on staff training, talent development and human capital management as basis for sustainable development; building up practical and competitive salary, bonus and other benefit policies to create an attractive and professional working environment.
- Continuing to improve service quality and raise our operations to international standards in order to effectively tap into the target segments.
- Strengthening measures to ensure operation safety through rigorous risk management and governance.
- Continuing to invest in infrastructure, applying advanced technologies in management and business.
- Accelerating the development of corporate culture and establishing a compassionate and united Techcombank community.

Leveraging our capabilities and the recognition from customers, partners, and organizations at home

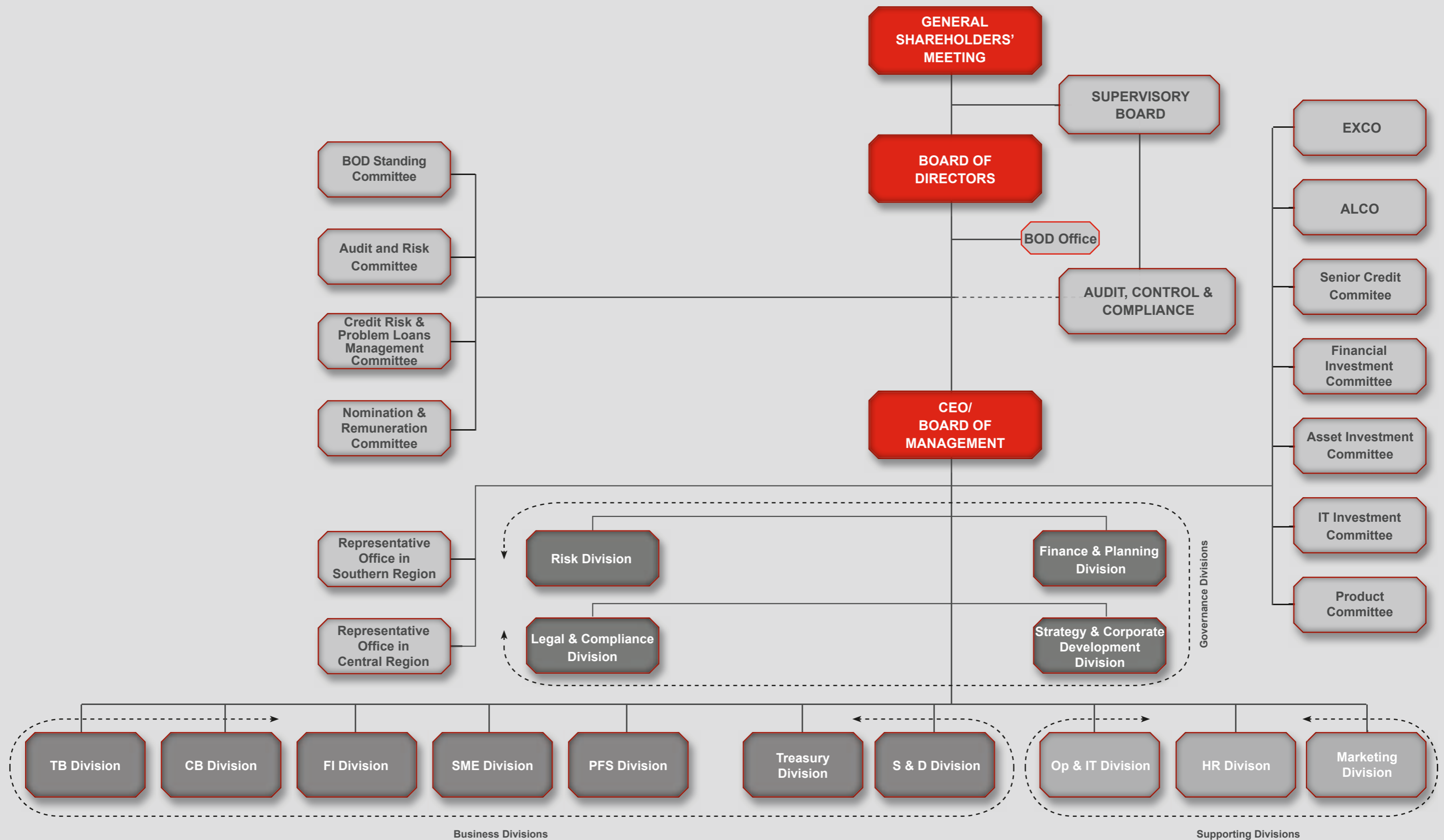
and abroad, evidenced by prestigious awards the Bank received last year, we have the momentum and confidence to make a “strong breakthrough” in 2011, thus bringing Techcombank to new heights.

In the long journey ahead, we hope and believe that the Bank will receive the support from you, our valued customers, partners, and Techcombank staff. We commit that your trust will be rewarded duly through the values that Techcombank always aspires to deliver.

Together we will work hand-in-hand to welcome new successes in 2011.

Regards,

**NGUYEN DUC VINH**  
Chief Executive Officer



AS OF 31/03/2011



1	2	3
4	5	6
7	8	9

**1. Mr. Ho Hung Anh  
Chairman**  
Graduated from Electronics Engineering in Russia, Mr. Ho Hung Anh joined the executive management of the Bank in 2004 and has held various positions in the Board of Directors. He has been the Chairman of Techcombank BOD since May 2008.

**2. Mr. Nguyen Dang Quang  
First Vice Chairman**  
Obtained a PhD in Nuclear Physics and Master's degree in financial management in Russia. Mr. Nguyen Dang Quang joined the executive management of Techcombank and has held various positions since 1999. He has been the First Vice Chairman of Techcombank BOD since May 2008.

**3. Mr. Nguyen Thieu Quang  
Vice Chairman**  
Graduated from Civil Engineering in Russia, Mr. Nguyen Thieu Quang joined the executive management of Techcombank and has held different positions in the Board of Directors since 1999. He has been Vice Chairman of Techcombank BOD since May 2008.

**4. Mr. Nguyen Canh Son  
Vice Chairman**  
Graduated from Civil Engineering in Russia, Mr. Nguyen Canh Son has been a member of the Board of Directors from May 2008 to Mar 2009. He has been Vice Chairman of Techcombank BOD since April 2009.

**5. Mr. Sumit Dutta  
Member**  
Graduated from Institute of Business Administration, Jadavpur University, India with a Bachelor of Business Administration, Mr. Sumit Dutta has years of management experience in the field of banking and finance at HSBC. He was Head of Personal Financial Services Division from 2008 to February 2009. He has been a member of Techcombank BOD since April 2009.

**6. Mr. Tran Thanh Hien  
Member**  
With a Master's degree in Business Administration, Mr. Tran Thanh Hien has years of experience in financial management at Vietnam Airlines Corporation. He has been a member of Techcombank BOD since April 2009.

**7. Mr. Madhur Maini  
Member**  
Graduated from Pennsylvania State University, United States with a Bachelor of Economics major in Finance and Bachelor of Applied Science in Management and Technology, Mr. Madhur Maini has years of management and operational administration experience with large U.S.-based financial corporations in Southeast Asia. He has been a member of the Techcombank BOD since April 2009.

**8. Mr. Stephen Colin Moss  
Member**  
Graduated from Kent University, U.K. with a Bachelor of Economics and Accounting, and a certified member of the Institute of Chartered Accountants in England and Wales, Mr. Stephen Colin Moss has years of management experience in financial accounting. He is currently the Chief Executive Officer and Head of Mergers and Acquisitions Council of HSBC. He has been a member of the Techcombank BOD since April 2009.

**9. Mr. Nguyen Duc Vinh  
Member of BOD and Chief Executive Officer**  
Received his Master of Business Administration from HEC Business Administration University, France, and other degrees in USA. Mr. Nguyen Duc Vinh has more than 10 years experience as the Bank's Chief Executive Officer (CEO). In April 2009, he was also appointed as a member of the BOD.

# SUPERVISORY BOARD



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- Ms. Nguyen Thu Hien**  
**Head of Supervisory Board and specialist member**  
 Received Bachelor's degree in Credit Finance in Russia, Mrs. Nguyen Thu Hien has joined the department of accounting and supervisory at the Bank in 1999. Since April 2010 she has been appointed Head and specialist member of Techcombank Supervisory Board.
- Mrs. Vu Thi Dung**  
**Member of Supervisory Board**  
 Graduated from Accounting and Finance University with a Bachelor's degree in accounting and finance, Mrs. Vu Thi Dung is an Auditor with many years of experience in the field of finance and accounting. Since April 2009 she has been a Member of the Techcombank Supervisory Board.

- Mr. Nguyen Quynh Lam**  
**Member of Supervisory Board**  
 Graduated from University of Mining and Geology with a degree in Mining Economics Engineering, Mr. Nguyen Quynh Lam was a specialist member of the Techcombank Supervisory Board from May 2008 to March 2009. Since April 2009, he has been a member of the Techcombank Supervisory Board.
- Mrs. Bui Thi Hong Mai**  
**Specialist member of Supervisory Board**  
 With a Bachelor's degree in Accounting and Finance, Nguyen Thi Hong Mai has many years experience in the field of accounting and finance. Since April 2010, she has been a Specialist Member of the Techcombank Supervisory Board.

# NOMINATION AND REMUNERATION COMMITTEE (NORCO)



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- Mr. Ho Hung Anh \***  
**NORCO Chairman**
- Mr. Nguyen Dang Quang \***  
**NORCO member**
- Mr. Nguyen Thieu Quang \***  
**NORCO member**
- Mr. Sumit Dutta \***  
**NORCO member**
- Mr. Nguyen Duc Vinh \***  
**NORCO member**
- Mr. Nguyen Van Tho**  
**NORCO member**  
 Graduated from the University of Hungary, Mr. Nguyen Van Tho held the position of Human Resources Manager at IBM and Citibank Vietnam for many years. Since June 2009, he has been the Head of Human Resources Management Division in Techcombank.

\* Refer to the Board of Directors page

# AUDIT AND RISK COMMITTEE (ARCO)



1. **Mr. Ho Hung Anh \***  
**ARCO Chairman**

2. **Mrs. Nguyen Thi Thien Huong**  
**Standing ARCO member**

Graduated with a Bachelor's degree in Science, and a Bachelor's degree in Economics, as well as a Masters in Business Administration, Ms. Nguyen Thi Thien Huong has years of experience working at the Bank in different positions such as Head of Projects and Securities Investment department, Head of HO Credit Department, and Deputy General Director. Since July 2009, she has been a standing ARCO member.

3. **Mr. Nguyen Dang Quang \***  
**ARCO member**

4. **Mr. Nguyen Thieu Quang \***  
**ARCO member**

5. **Mr. Hoang Van Dao**  
**ARCO member**

Obtained a PhD in Science and Technology, Mr. Hoang Van Dao has years of experience working at Techcombank management as Deputy General Director and BOD member. He has been an ARCO member since July 2008.

6. **Mr. Sumit Dutta \***  
**ARCO member**

7. **Mr. Nguyen Duc Vinh \***  
**ARCO member**

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\* Refer to the Board of Directors page

# THE BOARD OF MANAGEMENT



**1. Mr. Nguyen Duc Vinh**  
**Chief Executive Officer**

Received his Master of Business Administration from HEC Business Administration University, France, and other degrees in USA. Mr. Nguyen Duc Vinh has more than 10 years experience as the Bank's Chief Executive Officer (CEO). In April 2009, he was also appointed as a member of the BOD.

**2. Mr. Le Xuan Vu**  
**Head of Strategy and Corporate Development**

Completed the MBA Program from North Central University, United States, Mr. Le Xuan Vu has held several positions in Techcombank, such as Head of Techcombank's Information Technology Center, Deputy General Director, Head of Region 2, and was appointed Head of Strategy & Corporate Development Division in January 2011.

**3. Ms. Bach Thuy Ha**  
**Head of Transaction Banking**

Obtained a Master of Business Administration from University of Technology, Sydney and MA in Sociology from Lueven University, Belgium, she previously held the position of Chief Representative of Hanoi Office for Deutsche Bank AG Vietnam and was appointed to Head of Transaction Banking Division in November 2009.

**4. Mr. Nguyen Van Tho**  
**Head of Human Resources**

Graduated from the University of Hungary, Mr. Nguyen Van Tho held the position of Human Resources Manager at IBM and Citibank Vietnam for many years. Since June 2009, he has been the Head of Human Resources Management Division in Techcombank.

**5. Mr. Nguyen Thanh Long**  
**Head of Legal & Compliance Control**

Graduated from Hanoi University of Law, Mr. Nguyen Thanh Long used to be Deputy Head of Legal Division of the State Bank of Vietnam, and Deputy General Director of Techcombank. He was appointed to the position of Head of Legal and Compliance Control in November 2009.

**6. Mr. Nguyen Cong Thanh**  
**Head of Corporate Banking**

Graduated from HCMC Economics University, Mr. Nguyen Cong Thanh held several key positions at ABN-AMRO Bank (Vietnam), as well as Investment Director of Temasek Holdings in Vietnam prior to his appointment as Head of Corporate Banking Division of Techcombank in May 2010.

**7. Mr. Phan Thanh Son**  
**Head of Treasury and Financial Markets**

With Master's degree of Economics from the National Economics University, he has held the position of Deputy General Director at Tien Phong Bank. He was appointed as Head of Treasury and Financial Markets Division in January 2011.

**8. Mr. Suleman Chhagla**  
**Head of Risk Management**

Graduated from Commerce School, Karachi University and held the position of Head of Risk Management at the State Bank of Pakistan. He was appointed to the position of Head of Risk Management in Techcombank in October 2010.

**9. Mr. Anthony Guerrier**  
**Head of Finance and Planning**

Obtained a Master of Finance and Accounting at DESCF and held managerial positions for many years at HSBC France. He was appointed as the Head of Finance and Planning in November 2011.

**10. Mr. Pham Quang Thang**  
**Head of Small & Medium Enterprise**

Received an MA from Swinburne University of Technology, he has held several management positions such as Head of Treasury & Transaction Center, Deputy General Director of Techcombank and was appointed as Head of Small & Medium Enterprise Division in December 2009.

**11. Mr. Nguyen Canh Vinh**  
**Head of Sales & Distribution**

Received an MA from Latrobe University, Mr. Nguyen Canh Vinh was previously the Head of Business Center, Techcombank HO, and Head of Region 1. He was appointed as Head of Sales & Distribution Division in January 2011.

**12. Ms. Do Diem Hong**  
**Head of Financial Institutions**

Completed the Master of Business Administration Program at France-Vietnam Management Training Center (CFVG), she previously held the following positions: Director of Import-Export Trade Finance group of JP Morgan Chase Bank Vietnam; Deputy General Director; and Head of Credit and Credit Risk Management of Techcombank. She was appointed as Head of Financial Institutions Division in April 2010.

**13. Mr. Phung Quang Hung**  
**Head of IT & Operations**

Received a Master in International Commerce from University of Washington State, USA, Mr. Phung Quang Hung formerly held the position of IT Business Director for National Australia Bank in UK and was Head of IT for Techcombank. In September 2010, he was appointed as Head of IT & Operations Division.

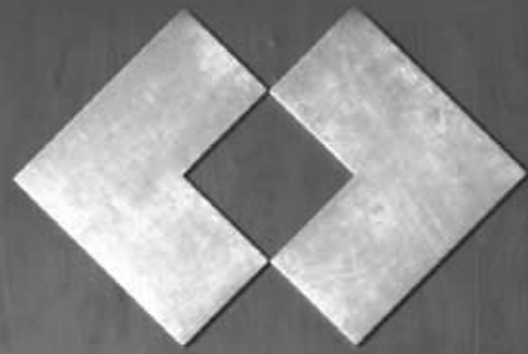
**14. Ms. Dang Tuyet Dung**  
**Head of Personal Financial Services**

Graduated from the National Economics University, she has held the positions of Head of Cash Management & International Payment Product Development at Citibank Vietnam. She was appointed as Head of Personal Financial Services Division in February 2010.

**15. Ms. To Thuy Trang**  
**Head of Marketing**

Graduated from Ho Chi Minh University of Economics Ms. To Thuy Trang was Product Director, ASEAN region for Kao Consumer Products Southeast Asia. She was appointed Head of Marketing Division in November 2009.





# TECHCOMBANK



Tapping profound Potential  
to deliver our  
**Commitments**

## DELIVERING STELLAR PERFORMANCE

We abide by and deliver our commitments to earn the trust of customers, shareholders and employees. Distinguished with one of the highest total assets amongst the commercial banks in Vietnam, we take pride in delivering success to our stakeholders.





10

## HIGHLIGHTS OF 2010

In a year of extreme difficulties precipitated by internal and external dislocations, including the roll out of the Techcombank strategic transformation plan and the aftershock of the global financial crisis, Techcombank once again proved its strengths and resilience by overcoming the odds to deliver remarkable growth both in scale and performance, with key highlights as follows:

### BUSINESS ACHIEVEMENTS

1. Techcombank maintained the leading position amongst commercial joint-stock banks in terms of business performance with an ROA of 1.9% and ROE of 24.9%.
2. Techcombank leapfrogged to the second position amongst commercial banks in terms of total assets as of 31 December 2010.

### ACHIEVEMENTS THAT CREATE THE MOMENTUM FOR BREAKTHROUGH

3. **Charter capital:** In June 2010, Techcombank raised its charter capital from VND 5,400 billion to VND 6,932 billion, an increase of VND 1,532 billion channeled from the retained earnings of 2009 per the financing plan previously approved by the General Shareholders' Meeting.
4. **Successful issue of convertible bonds:** On 28 December 2010, Techcombank issued 30 million convertible bonds, an equivalent of VND 3,000 billion. This underlines the shareholders' endorsement of the business development strategy of Techcombank for the period to 2014. It also helped raise the capital adequacy ratio as part of the Bank's long-term development strategy.
5. **Organizational restructuring to raise the level of professionalism and adopt international best practices:** This project had far-reaching impact across the whole organization in 2010. It was first initiated in the middle of 2009, in which specialized divisions with separate functions and responsibilities were established based on a modern global bank model. A major restructuring was the creation of a specialized Sales and Distribution Division independent of the business and support functions. This allows Techcombank to develop better insights and thus effectively respond to the banking needs of each customer segment. As the first Vietnamese bank to apply this model, Techcombank has demonstrated its determination to develop specialization and provide the best and most appropriate products and services to customers.

In June 2010, Techcombank raised its charter capital from VND 5,400 billion to VND 6,932 billion, an increase of VND 1,532 billion.

**VND  
6,932 billion**

## 10 HIGHLIGHTS OF 2010 (continued)

By 31 December 2010, Techcombank opened 94 additional branches throughout the country, bringing the total number of branches to 282 and ATMs to more than 1,000, thus providing highly convenient services to customers.

Completion of phase 1 of Techcombank's strategic transformation program, TechcomOne, with the support and consultation from the world's leading consulting firm McKinsey.

**282**  
Branches  
more than 1,000 ATMs

6. **Introduction of HR strategy:** staff training and talent management programs, and guidelines on assessment, rewards, compensation and benefits were officially issued to support the objective of developing a team of professional, robust, engaged, and highly qualified staff.
7. **Heavy investment in technology in 2010 to drive performance and provide differentiated services to customers:**
  - Core Banking System was upgraded to the latest T24 R10 version. This enables integration with new applications that better serve the operational and service requirements of modern banking while providing a platform for design and introduction of sophisticated products to meet the diverse needs of customers.
  - Loan Origination System provided by Experian, a leading IT solutions company, was successfully launched. This is an automated solution for customer loan application processing and approval process. With the Loan Origination System, the Bank is able to provide customers with professional, real-time banking, and credit services on par with international banking standards.
8. **Extensive distribution network:** In 2010, Techcombank opened 94 additional branches throughout the country, bringing the total number of branches to 282. The number of ATMs also increased to more than 1,000, thus providing highly convenient services to customers.
9. **Completion of phase 1 of Techcombank's strategic transformation program, TECHCOMONE,** with the support and consultation from the world's leading consulting firm McKinsey. The most remarkable achievement in this phase was the development of 3 key business strategies, namely SME Strategy, PFS Strategy, and TB Strategy. These strategies are part of an overall strategy to become the Best Bank and Leading Enterprise in Vietnam,



### 10. THE AWARD

**"BEST BANK IN VIETNAM 2010"**

Winning "Best Bank in Vietnam 2010" award from **Euromoney**: This recognition by a world leading financial magazine proves Techcombank's strong position in terms of leadership, quality, and performance.



**Best Bank in  
Vietnam 2010**

EUROMONEY MAGAZINE  
“Best Bank in Vietnam 2010” award by Euromoney Magazine as a result of an assessment on the Bank’s leadership capability, performance, and profit.



**Most Favorite Vietnamese Brand 2010**

SAIGON LIBERATION NEWSPAPER  
“Most Favorite Vietnamese Brand 2010” award from Saigon Liberation Newspaper.



**Global Payments Excellence Award 2010**

CITIBANK, WACHOVIA BANK & THE BANK OF NEW YORK  
“Global Payments Excellence Award 2010” from Citibank, Wachovia Bank and Bank of New York.



**International Star for Leadership in Quality 2010**

BID - BUSINESS INITIATIVE DIRECTIONS  
“International Star for Leadership in Quality” award by BID – Business Initiative Directions as a result of assessment on leadership capabilities, speed of IT and quality innovation, customer satisfaction, and relationship with internal units, suppliers and related parties.



**National Brand 2010**

MINISTRY OF INDUSTRY AND TRADE  
“National Brand 2010” award from Ministry of Industry and Trade to the top 43 Vietnamese enterprises with high growth rate and competitiveness.



**The Most Active GTFP Issuing Bank  
in East Asia 2009 & 2010**

IFC - INTERNATIONAL FINANCE CORPORATION  
“The Most Active GTFP Issuing Bank in East Asia” award from IFC – a member of the World Bank group.



**Vietnam Gold Star**

YOUNG BUSINESS ASSOCIATION  
“Vietnam Gold Star” award from Young Business Association based on the criteria: competitiveness of brands/products, market share, quality management process, brand and IT management and development, and environmental policies meeting local and international standards.



**Vnr500-Top 500 Largest Enterprises in Vietnam**

MINISTRY OF INFORMATION AND COMMUNICATION  
One of the Top 500 largest enterprises in Vietnam as researched and recognized by Vietnamnet, Vietnam Report, and Hanoi-Boston research team.





## OPERATIONS REVIEW 2010

2010 was an exceptionally difficult year for the banking sector in Vietnam.

As the economy was bottoming out with an encouraging GDP growth of 6.7%, widening trade deficit and runaway inflation inevitably led to intervention by the Government and the State Bank (SBV).

The regulators responded by enforcing contractionary monetary policies to curb credit growth and stabilize the market, inter alia, closure of the gold exchanges, tightening of capital adequacy and lending ratios, and amendments to legislations on credit institutions. These measures forced the banks to review their business and ensure prudence in their operations, which in turn posed additional challenges to the sector.

For Techcombank, 2010 was a transformational year as the Bank embarked upon an important journey to become the best bank and leading enterprise in Vietnam by 2014, executed through its strategic transformation program counselled by McKinsey.

Despite the financial instability and transitional dynamics, Techcombank overcame the odds to deliver yet another strong performance. The Bank realized most of its business targets and completed the most critical stage of its reconfiguration of strategies, organizational structure and operational policies/procedures.

2011 is forecast to be another challenging year, but Techcombank is now well-positioned for renewed growth given the diversity of its income streams as well as its strategic partnership with HSBC.

### EQUITY

As at 31 December 2010, Techcombank's shareholder equity amounted to VND 9,389 billion, an increase of 28.2% against the previous year. Share capital increased from VND 5,400 billion to VND 6,932 billion when the Bank decided in June to add VND 1,532 billion from the reserve to supplement capital.

In addition to the increase in equity, the successful issue of VND 3,000 billion convertible bonds in December 2010 further consolidated the Bank's capital strength.

By the end of 2010, capital adequacy ratio (CAR), as a result, far exceeded the SBV's requirement, reaching 13.1% versus 9.6% at the end of 2009.

### DEPOSITS

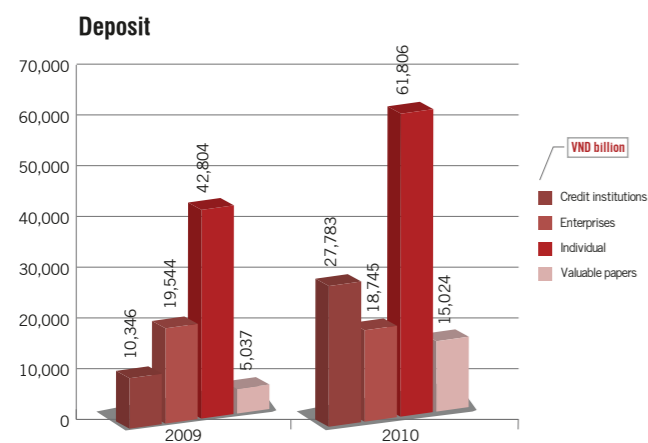
Techcombank continued to expand and create a strong funding base in 2010. Customer deposits as at 31 December 2010 amounted to VND 80,551 billion, accounting for 53.6% of total balance sheet assets. The figure represented an increase of 29.2% over the previous year's VND 62,374 billion. This helped enhance liquidity with a loan-to-deposit ratio of just 65.7% and was in accordance with Techcombank's prudent policy to maintain the ratio within the range of 65-70%.

The increase in customer deposits in the year was mainly attributable to Techcombank's success in mobilizing funds from individuals. Retail deposits of the Bank as at 31 December 2010 reached VND 61,806 billion, equivalent to an increase of 44.4% compared to 31 December 2009. Techcombank's extensive network expansion, competitive mobilization campaigns and continuous improvement in customer service were the main drivers for this growth.

# OPERATIONS REVIEW 2010 (continued)

By the end of 2010, deposits by and borrowings from other credit institutions soared by 168.5% year-on-year to VND 27,783 billion, presenting an important source of funding for the Bank, of which VND 1,745 billion equivalent were long-term borrowings from international organizations.

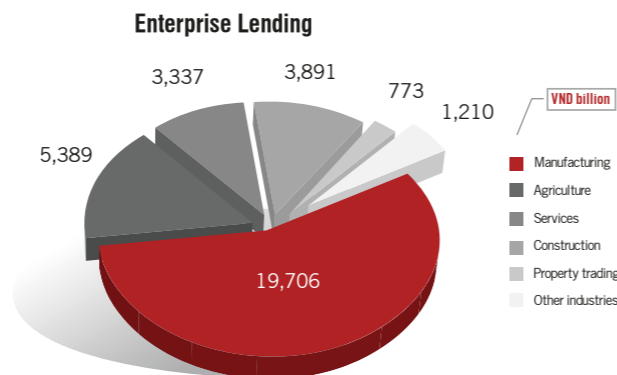
The capital raised from the issue of commercial valuable papers also increased sharply by 198.3% from VND 5,036 billion to VND 15,024 billion, including VND 5,251 billion with tenure of more than 5 years, and VND 7,404 billion with tenor from 12 months to 5 years.



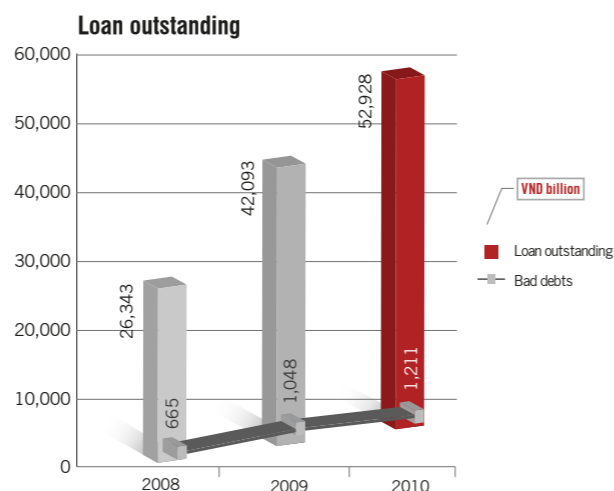
## CREDITS

In line with the Government's objective to maintain low credit growth for the entire banking sector, Techcombank curtailed its lending growth to 25.7% from 59.8% of last year. Loans and advances to customers as at 31 December 2010 totaled VND 52,928 billion, of which 56.8% was short-term. Retail lending soared the most dramatically, by 63.3% year-on-year to VND 18,397 billion, with housing loans increasing by 155% over the same period of last year to VND 12,196 billion.

SME lending increased 26.7% year-on-year to VND 31,256 billion while corporate lending decreased by 50.6% to VND 3,051 billion. Amongst all business customers, those operating in the manufacturing industry were the largest borrowers, with most of them utilizing credit facilities for production expansion. Loan outstanding of this segment accounted for 57.1% of total SME and corporate lending.



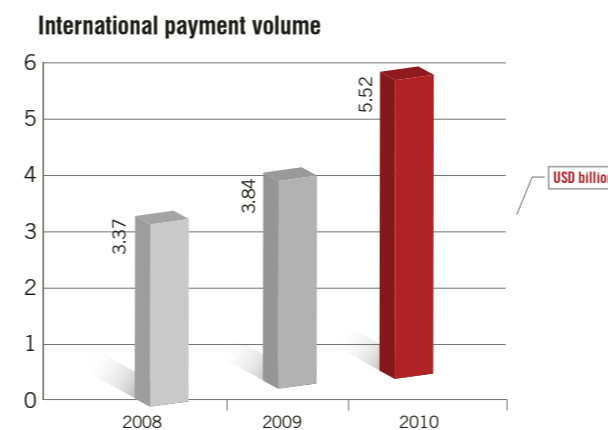
While slowing down credit growth in 2010, Techcombank closely watched non-performing loans (NPLs) and managed to reduce the gross NPL ratio to 2.29% from 2.49% as at the end of 2010. Most NPLs belong to the SME sector.



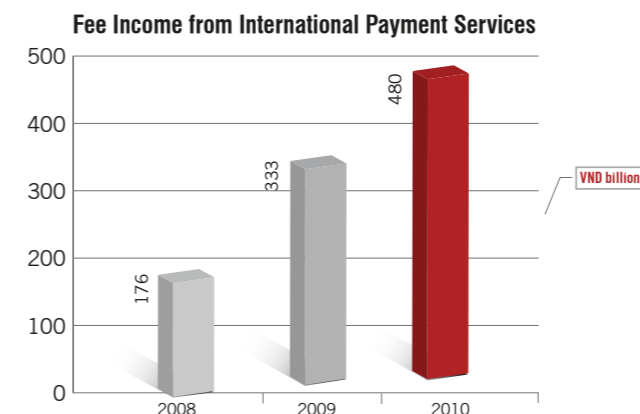
By the end of 2010, loan loss provisions were VND 611 billion, up 19.3% compared to VND 512 billion a year earlier, hence, the net NPL rate was just 1.13%. Significantly, as these loans are all secured, the Bank remains optimistic about a high recovery rate.

## INTERNATIONAL PAYMENT

In the reporting period, the Bank maintained its leading position in trade finance amongst joint stock banks in Vietnam. In particular, the bank's total volume of international payment in 2010 increased to approximately USD 5.52 billion, representing a sharp growth of 43.9% in comparison to USD 3.84 billion in 2009.

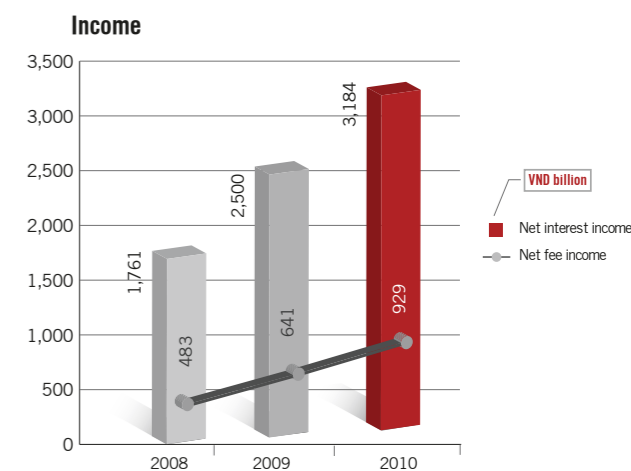


The increase in international payment volume was mainly attributed to the Bank's strong focus on fee-based products and services. To achieve this target, Techcombank strengthened collaboration with its partners through its extensive correspondent network, so as to diversify services and broaden its funding base. The total fee income from international payment in 2010 was VND 480 billion, representing a 44.1% year-on-year increase.



## PROFITABILITY

In 2010, Techcombank achieved net revenue of VND 4,719 billion, representing a 20.5% year-on-year increase. Net interest income increased by 27.3% year-on-year, reaching VND 3,184 billion. Net fee and commission income even grew faster by 45.0% to around VND 930 billion, in which bank guarantee service contributed VND 160 billion, almost double the level achieved in 2009.



Net gains from trading of foreign currency, gold and security declined, and net gains from security investments was considerably lower than 2009 because of volatile FX rates, tightened control over gold trading, and the sharp decline of the stock market. However, such losses were compensated by income from the investments in other businesses and other revenues, both of which increased nearly threefold in 2010.

The Bank's operation costs in 2010 were VND 1,588 billion as compared with VND 1,184 billion in 2009. The 34.1% increase was mainly attributable to its aggressive network expansion and increase in the workforce. Expenses for office and asset rental, tool and equipment, and asset maintenance and renovation increased by 63.3%, equivalent to VND 459 billion. An enlarged staff required to operate expanded operations as well as salary and bonus increases led to an increase in manpower cost of 27.0%, equivalent to VND 755 billion.



In 2010, Techcombank achieved net revenue of VND 4,719 billion, representing a 20.5% year-on-year increase.

Aggregating the respective incomes and costs, the Bank posted a profit before tax of VND 2,744 billion for the financial year ended 31 December 2010, an increase of 21.8% against last year.

The cost to income ratio of the Bank in 2010 was maintained at 35%. Other profitability indicators, namely ROE and ROA, were maintained at healthy levels of 24.9% and 1.9%, respectively.

**COOPERATION WITH INTERNATIONAL AND MULTILATERAL FINANCIAL INSTITUTIONS**

One of the objectives of Techcombank is to cooperate with international and multilateral financial institutions, not only for the purpose of mobilizing capital and reducing asset liability mismatch for the Bank, but also for supporting some industries under certain programs of the Vietnam Government. Currently, we are maintaining relationships with international and multilateral financial institutions such as WB, IFC, ADB, JICA, FMO, Proparco, SECO, etc.

In May 2010, the IFC (a World Bank member) and Techcombank signed an agreement to set up a USD 50 million energy efficiency fund. The IFC finances USD 24 million, plus an addition of USD 1 million from its Global Earth Fund, and Techcombank commits to covering the rest of the fund. The fund aims to provide medium and long term financing to help enterprises replace inefficient equipment and upgrade technology to improve productivity while cutting down on energy cost and emission.

In July 2010, Techcombank was selected by the Ministry of Industry and Trade to be one of the five banks participating in the Renewable Energy Development Project. The 20-year project aims to increase the low-cost electricity supply for the rural areas by providing credit to commercial banks to re-finance eligible renewable energy projects. The cost of the project is estimated at USD 230 million, of which USD 152 million will be raised by the International Development Association of the World Bank.

In December 2010, Techcombank successfully signed the second long-term loan agreement worth USD 15 million with Proparco, a subsidiary of the French Development Agency (AFD). Techcombank will leverage this facility to support eligible SME customers in Vietnam.

Other medium and long term loan agreements with other international and multilateral financial institutions were also implemented effectively during the past year.

In December 2010, Techcombank successfully signed the second long-term loan agreement worth USD 15 million with Proparco.

In May 2010, the IFC (a World Bank member) and Techcombank signed an agreement to set up a USD 50 million energy efficiency fund.

**USD 50**  
million



Techcombank continues to leverage credit products to support eligible SME customers in Vietnam.



“ The strategic direction of Techcombank in the retail banking market is to become a leading bank in Vietnam in the mass affluent and affluent customer segments. ”

### Personal Financial Services

With a strategic direction to become a leading retail bank in Vietnam, in 2010, Techcombank focused on completing the foundation of personal financial services with the establishment and specialization in terms of functions and responsibilities of each unit, enabling them to better grasp business opportunities and fulfill customer's demands.

In 2010, 500,000 new individual customers chose to use our banking services, thus bringing the number of individual customers to 1.3 million, an important milestone in the Retail Banking development direction of Techcombank.

#### 2010: ENHANCING THE BOND WITH CUSTOMERS

Techcombank established the Personal Financial Services Division based on 2 operations which are both specialized and linked with each other, namely product development and business development. This segmentation aims to separate product R&D from business operations in a professional manner, while still facilitating the cooperation and support between the two operations in order to provide customers with the best products and services.

In 2010, Techcombank implemented the following main groups of tasks, which belong to a logical operational structure, to enhance services for individual customers:

#### Personal Financial Services value proposition

- Because of the focus on mass affluent and affluent customer segments, there are two factors that are defined to increase the number of customers and enhance their bond with the Bank, Convenience and Quality Service.

#### Personal Financial Services – Techcombank

##### Convenience

- A widespread and convenient branch and ATM network with transaction locations available within a 1km radius in key business areas.
- Transaction and distribution functions available in all channels.
- Door-to-door services for Priority Banking customers

##### Quality Service

- Simplified and quick processes and procedures for account opening, savings deposit, and personal loans.
- Diversified user-friendly channels to provide 24/7 services: internet banking, mobile banking, 24/7 Call center...
- Specialized distribution channel system.
- Value-added facilities for customers using Techcombank services.

Sound strategic direction, professional and customer-centric staff were key success factors of Techcombank PFS in 2010.

Diversify user-friendly channels to provide 24/7 services: internet banking, mobile banking, 24/7 Call center...

**24/7**

#### Development of service models for each customer segment

Based on market research, Techcombank has divided retail customers into two segments, Affluent and Mass affluent, with different service models:

#### Affluent customers

##### Priority Banking

- Specialized services available anytime and anywhere provided served by senior priority RM.
- Appropriate benefits and added value responsive to customer demands.

#### Mass Affluent customers

##### Accessible services

- Convenience in terms of network and transaction channels.
- Reliable and professional service with simple and quick procedures.
- Diverse, comprehensive, user-friendly, appropriate products and services.





According to a market survey on Techcombank at the end of 2010, the percentage of customers who are willing to recommend Techcombank products and services to their friends and relatives was high.

### ▶ Strengthening of core business activities

Last year, Techcombank evaluated and rebuilt basic processes applicable to key products in the personal financial services product portfolio such as deposits, loans, cards, online banking services. The completion of product implementation processes and clearly-defined standards and objectives are important platforms for the Bank to professionally develop PFS products and services in 2011.

Sound strategic direction, professional and customer-centric staff were key success factors of Techcombank PFS in 2010.

### ACHIEVEMENTS IN 2010

#### ▶ Rapid increase in customer base

By the end of 2010, the Bank's total number of PFS customers and current accounts increased by 41% and 59% respectively compared to 2009. This is a decisive factor helping the Bank achieve retail deposit growth rate of 44.4%, which accounted for 73% of total deposits. The outstanding loans of PFS Division increased by 63.3% compared with 2009, which is mainly attributed to the growth in secured loans that also improved the quality of PFS loans.

#### ▶ Customer satisfaction with the Bank's services

According to a market survey conducted on Techcombank in late 2010, customer satisfaction was clearly demonstrated by the number of services per customer; frequency of customer's transactions, the percentage of satisfied customers and those considering Techcombank products, which came out to be higher than those of other joint stock banks; and the percentage of customers who are willing to recommend Techcombank products and services to their friends and relatives was also high.

The brand awareness and brand usage ratio scored highly in the North and, at the same time, was remarkably improved in the South. The brand's value was enhanced and Techcombank has consistently been perceived as a dynamic, creative and friendly bank.

### 2011 - STRONG BREAKTHROUGH

The 2010 – 2014 strategic direction of PFS Division development is very clear with an aim to make Techcombank the leading joint-stock bank in the Vietnam retail banking market in the affluent and mass affluent customer segments and the leading local bank in the priority customer segment.

The implementation solutions in 2011 will focus on 4 key areas:

- Development of Priority Banking services;
- Improvement and diversification of product packages;
- Expansion of distribution channel and network;
- Building up the image of a "CONVENIENT" retail bank that provides "QUALITY SERVICES" for customers. Focus on key markets and segments to best fulfill customer's demands and provide them with the highest level of satisfaction.

#### ▶ Development of Priority Banking service

Officially re-launching Priority Banking in the market with a new service proposition and brand identity system in 2010, the Bank targets to develop the Techcombank Priority Banking service to a higher standard, thus bringing customers the most convenience and efficiency and helping them spare more time for their family and passions in life.

The objective of Techcombank is to increase Priority customers by 50% compared with 2010. The Bank also aims to strengthen capabilities of Priority Relationship Managers (RM) and improve RM's sales and customer service skills.

#### ▶ Products improvement and diversification

- **Deposit:** Techcombank is working on and will soon be introducing to the market the Savings and Current Account products with flexible, superior features and added value so as to respond to customer's demands in each stage of their life. The Payroll product is the main driver to increase the number of basic customers and create a substantial customer base for cross-selling of other products and services.
- **Loan:** The Bank is to focus on secured loans with special attention to the following major products: secured loans/home equity, auto loan, and other secured loan products. Meanwhile, it will be more prudent in providing unsecured loan products and credit cards, targeting priority banking customer segment and selective existing customer.

The brand awareness and brand usage ratio scored highly in the North, and at the same time, was remarkably improved in the South. The brand's value was enhanced and Techcombank has consistently been perceived as a dynamic, creative and friendly bank.

The objective of Techcombank is to increase Priority customers by 50% compared with 2010.

# 50%





Develop and implement long-term Loyalty program to bring added value to customers, and reflect the outstanding service quality of Techcombank.

- **Fee-based services:** The Bank will promote insurance products and competitive money transfer service to increase the proportion of fee income in PFS income structure.
- **Investment consulting services:** The Bank will develop bancassurance and structured finance products to improve customer relationship, especially with the priority customer segment.

➤ **Expansion of distribution network and improvement of sales management**

Aside from a strongly developed branch and ATM network, as part of the strategy for the current period to 2014, Techcombank will focus on developing e-channel and e-commerce solutions to let the customers get a hands-on experience of the Bank's convenient services and distinguished competence.

At the same time, the Bank will continue the standardization of PFS sales management model throughout the system; increase sales agents for both direct sales and telesales channels; develop the most effective and competitive sales incentive scheme.

➤ **Enhancement of long-term communications and marketing**

- Implement PR program to communicate the "Convenient and Quality Service" proposition of Techcombank PFS, which is evidenced by the convenience of an extensive network and transaction channel, the simplicity, speed and security of existing services and the diversification of products to provide added benefits.
- Develop and implement long-term Loyalty program to bring added value to customers, and reflect the outstanding service quality of Techcombank.
- Revitalize communications messages and brand image of personal financial products and services in accordance with the new value proposition to ensure consistency and distinction.



“Techcombank is proud to serve over 10% of Vietnamese enterprises.”

**Business & Corporate Banking**

By the end of 2010, Vietnam had more than 500,000 active enterprises including State-owned enterprises, private enterprises, and foreign-invested enterprises with. Enterprises are classified in terms of scale into four groups: Large Enterprises (LE), Mid-Market Enterprises (MME), Small & Medium Enterprises (SME), and Micro, Small & Medium Enterprises (MSME).

Of the four abovementioned segments, SME accounts for the biggest proportion, and is considered to have the highest growth potential and plays an important role in creating the momentum for socioeconomic development in Vietnam. According to statistics released at the end of 2010, SME accounted for 98% of total enterprises with total registered capital of VND 2,313,857 billion (equivalent to USD 121 billion), contributing over 40% to national GDP.

Along with the Bank's growth in size and sales force, the enterprise customer base of Techcombank has sharply increased over the years and surged in 2010.

In 2010, in line with the Government's policy, the Bank's main focus of enterprise loans was the manufacturing industry, and loans outstanding reached VND 19,706 billion.

# VND 19,706 billion



On that basis, Techcombank has determined in its customer strategy that small and medium enterprises are the core target market, while large enterprises are the niche market to be conquered and the milestone to affirm the Bank's capacity as well as reputation in the market.

In consultation with McKinsey, Techcombank established the Small and Medium Enterprises Division (SME) and Corporate Banking Division (CB) at the end of 2009 for the purpose of specializing banking service and activities based on target customers.

That move pushed performance in 2010 with the enterprise customer base of Techcombank jumping from 38,500 at the end of 2009 to 45,252 as of 31 December 2010. At present, Techcombank is the leading bank in this customer segment and serves about 10% of total active enterprises in Vietnam.

### RAPID AND SUSTAINABLE DEVELOPMENT

In 2010, besides finalizing the organizational structure of each division, Techcombank focused on completing the standard customer service process. Specifically, Techcombank set up sales seminars and distribution channels which were both specialized and synchronized in all stages, from product design to market feedback collection. This will enable the Bank to adjust newly developed products and services and develop business plans suitable to market conditions in different regions and areas. These factors brought about a huge change in business activities, specifically, RM's sales performance increased twofold compared with the beginning of the year, thus consolidating the capabilities of Techcombank and ensuring better business performance in the future.

The rapid increase in the number of enterprise customers was a monumental success of Techcombank in 2010. However, in the instability of the post-crisis business environment, enterprise loans would have potentially turned into bad debts had risk management and customer assessment process not been carried out carefully. Therefore, last year, along with the increase in customer base and customer service improvements, special attention was paid to risk management with the implementation of major tools as follows:

- ▶ Enterprise Risk Assessment Model (ERAM): With this model, enterprise customers are rated according to several qualitative criteria along with regular quantitative factors, enabling a more accurate assessment of the enterprise credit rating, thus improving the efficiency of credit risk control in Techcombank.
- ▶ Enterprise Content Management (ECM): With a modern technological base, Techcombank successfully implemented this automatic process for transferring credit documentation from branches to approval levels. This is an important factor that helps to narrow the geographical distance between the locations of documentation and approval units centralized in the Head Office, and provides support to secure and manage the documents, professionally monitor Services Level Agreement (SLA), shorten credit approval period, and respond to customer's increasing demands.
- ▶ Early Warning System (EWS): Launched in 2010, this system is currently an effective tool for Techcombank to detect early potentially risky loans when they are still tier 1 debts, enabling the Bank to take immediate measures and improve control for the Bank's credit quality.

- ▶ Portfolio Management Report: This report helps determine the performance and risk level of each business industry as well as business performance fluctuation pattern of each industry within a certain period. It also provides an overview of loan category switching in each industry and geographical area, etc. The tool also helps the Bank's management proactively identify consistent business directions for the whole system and for each business unit.

### HIGHLIGHTS OF BREAKTHROUGHS

#### ▶ Outstanding customer base

Year	2006	2007	2008	2009	2010
Number of customers	10,289	13,541	26,026	38,500	45,252

Along with the Bank's growth in size and sales force, the enterprise customer base of Techcombank has sharply increased over the years and surged in 2010. This is a confirmation of Techcombank's choice of target markets, its sales force development, as well as its ability to meet diverse demands for banking services of Vietnamese enterprises.

#### ▶ Major contribution to loans outstanding

In anticipation of the usual difficulties in the macro-economic environment, Techcombank determined that credit growth should be curbed and risks closely controlled. However, enterprise loans still played an important role and accounted for 65.1% of total loans outstanding in the whole system.

In particular, the Bank's loans outstanding structure was adjusted with proper focus on SME customers. In 2010, SME Division achieved the loans outstanding growth rate of 27%, which accounted for 91.1% of loans outstanding in enterprise customer segment compared with 79.9% in 2009

Customer segment	2009	2010	Growth rate
Enterprise total (VND billion)	30,824	34,307	11%
Small and medium enterprises	24,653	31,256	27%
Corporate	6,172	3,051	-51%

#### ▶ Reasonable lending structure

With a nationwide network, enterprise banking activities of Techcombank covered most business and manufacturing industries in the economy.

In 2010, in line with the Government's policy, the Bank's the main focus of enterprise loans was the manufacturing industry, and loans outstanding reached VND 19,706 billion and accounted for 57.44% of the Bank's enterprise loans outstanding, followed by agriculture, forestry, fishery, services, etc.

According to statistics released at the end of 2010, SME accounted for 98% of total enterprises with total registered capital of VND 2,313,857 billion, contributing over 40% to national GDP.

The enterprise customer base of Techcombank as of 31 December 2010.

# 45,252





Enterprise loans	Balance	Proportion
Total (VND billion)	34,307	100%
Manufacturing industry	19,706	57%
Agriculture, forestry, and fishery	5,389	16%
Service industry	3,337	10%
Construction industry	3,891	11%
Real estate businesses	773	2%
Other industries	1,210	4%

◆ Encouraging deposit growth

Techcombank has acquired a well-deserved reputation and position in the business community with overall enterprise deposit growth rate of 11% in 2010. In particular, the SME Division posted a deposit growth rate of 32% over 2009.

Detailed data on deposits by customer segments for the past 2 years are as follows

Customer segment	2009	2010	Growth rate
Enterprise total (VND billion)	21,115	23,399	11%
Small and medium enterprises	14,637	19,376	32%
Corporate	6,478	4,023	-38%

◆ Credit fee income on the rise

The rapid increase in customer base allowed Techcombank to substantially increase income from other services apart from traditional services, such as deposits and loans.

In 2010, Techcombank continued to set itself as the leading bank in international payment services and trade financing in Vietnam with total payment volume of VND 5.5 billion, up 43.9% against 2009. In 2010, guarantee service achieved considerable growth with a 22.6% increase in guarantee balance compared with 2009.

With the foundation built in 2010 and specific, detailed action plans in place from the beginning of 2011, a stronger focus on service quality and operational process improvement, and the advantage of the existing specialized products through R&D, Techcombank is one huge step closer to creating differentiated service value for each enterprise customer segment, enabling the Bank to realize its business targets in 2011 and the coming years.

The rapid increase in customer base allowed Techcombank to substantially increase revenue from other services apart from traditional services, such as deposits and loans.



“ Leveraging first-mover advantage; reshaping the cash management and trade finance market. ”

**TRANSACTION BANKING**

On the roadmap to becoming a leading bank of Vietnam, Techcombank has implemented strategic transformation and organizational restructuring, and as a result the Transaction Banking Division was established as one of the three major business categories to drive Techcombank's leadership ambition.



Transaction Banking Division works hand-in-hand with the branches to build a professional Techcombank image with the slogan “One Bank, One Team”.

Techcombank grabbed the limelight as the first local bank to build a specialized team for Transaction Banking. With this first-mover advantage, Techcombank anticipates an accelerated profit growth and expects to consolidate its leadership status, thus enabling the Bank to reshape the market. This also creates the platform for the Bank to cross-sell its products and diversify its services for SME and CB.

Along with other initiatives, the formation of Transaction Banking Division will be a key driver that transforms the Bank from a traditional growth agenda into a major growth engine that reshapes Vietnam’s financial market.

We benefited from our underlying strengths such as (i) wide branch network, (ii) advanced technological platform, (iii) collaboration with HSBC, the world leader in transaction banking, and (iv) strategic advisory from McKinsey. Therefore Transaction Banking Division started confidently and enjoyed some early successes, including:

- ◆ Established the Transaction Banking function with clearly-defined roles and responsibilities and a consensus on cross-functional coordination with other business divisions.
- ◆ Conducted research on customer needs; market potential; competitive landscape and technology to support the development of innovative products to meet the sophisticated needs of corporate customers for cash management and trade finance. Formulated the new product development plan for the next 3 years.
- ◆ Launched direct introduction of Transaction Banking solutions to corporate and Upper SME customers.
- ◆ Piloted the “TB Champion” model in 30 branches; training the human resources required for branches to enhance their capabilities in offering Transaction Banking solutions.
- ◆ Raised the level of professionalism and ensured consistency when presenting the key features of Transaction Banking solutions through Pitch books, product presentations, and product manuals for all branches across the system.

The following are some of the accomplishments of the Transaction Banking Division undertaken in cooperation with the Branches during 2010:

- ◆ Introduction of customized solutions meeting the sophisticated needs of customers with the application of advanced technology that currently only foreign banks are capable of providing, such as:
  - Developed a new product that processes MT101 and MT940 commands, and connects with banks via SWIFT NET and with enterprises via SWIFT CORE network.
  - Implemented core-to-core connectivity with some enterprises to facilitate cash collection, fully automatic counter-check of accounts receivables and payables.
  - Developed LC outsourcing product for some finance companies.
  - Developed a centralized account solution for two-way money transfers capable of handling flexible criteria that satisfies the cashflow management demand of corporations and holding companies.
- ◆ Standardization and improvement of existing products, such as:
  - Created F@st E-Bank e-banking package for large and foreign companies. Added the feature of group payroll in foreign currency.
  - Introduced trade financing solutions such as distributor and supplier financing programs, recourse negotiation or discount of export documentation service, bank payment confirmation service, import LC financing under GSM – 102 program of U.S Department of Agriculture, etc.
- ◆ Conducted regular training on Transaction Banking solutions for “TB Champion”, SME’s RMs, participated in road-shows at various Branches, etc. The Transaction Banking Division works hand-in-hand with the Branches during customer meeting, serving and providing comprehensive and effective solutions, in order to build a professional Techcombank image with the slogan “One Bank, One Team”.

With the commitment to pioneer the first Transaction Banking model among joint stock banks in Vietnam, the Transaction Banking Division still has a number of deliverables in the coming years. In 2011, the Transaction Banking Division plans to finalize the TB platform, complete the Client Service Team (CST) model for key customers, and continue to improve and develop advanced Transaction Banking solutions; at the same time, finalize the partnership model with branches throughout the country.



Techcombank is the first local bank to build a specialized team for Transaction Banking. We offer customized solutions meeting the sophisticated needs of customers with the application of advanced technology that previously only foreign banks are capable of providing.



“Unrelenting efforts to strengthen and improve processes of risk management by international standards and practices.”

Risk management is a prime concern of businesses, particularly in the banking and finance sector. The global financial crisis in 2008 even created a new level of awareness for risk management in the global banking system. Apart from the traditional risks, market risk and system risk without a proper assessment can make any giant financial institution collapse. There is a common perception, however, in practice, that to control the above risks depends largely on management capability and the attention paid by each bank's leadership.

## RISK MANAGEMENT FRAMEWORK

Over the years, Techcombank has actively developed the risk management framework to meet international standards and practices. The Bank's risk management tasks are carried out mainly by the Risk Management Division to ensure the assessment and control of risk in all fields, from credit risk, market risk, operational risk to business-specific risks, associated with the extensive network of Techcombank.

In 2010, the Risk Management Division closely cooperated with the Audit and Risk Committee – ARCO (under the Board of Directors – BOD), participated in the Assets and Liabilities Committee – ALCO (under the Board of Management) to timely and regularly review and revise risk management tasks. Besides, in each business division there is a team to conduct analysis and assessment on any risk arising in its own activities. The combination of centralized and multi-layer risk controls ensures that Techcombank evaluates rigorously and fully all possible risks in order to develop appropriate pre-emptive policies.

Given the inherent turbulence of the money market where potential bad debts are inevitable, risk management continues to evolve to respond to new circumstances. Therefore, it has played an important role in ensuring that the Bank's operations remain sound and effective. The primary tasks of risk management are to continue developing risk management policies for each customer segment, each sector; simulating and applying information technology to risk management; preparing and constantly updating risk assessment reports, daily tracking and monitoring, to ensure strict compliance with the capital adequacy ratio requirement...

## CREDIT RISK MANAGEMENT

Credit is one of the major sources of income for banks, but the trade-off is the potential high risk, especially in the context that the post-crisis business environment remains unstable. Techcombank is the first bank in Vietnam to develop the centralized credit appraisal model, categorize and decentralize the appraisal of loan application by levels from branches to functional divisions and the senior credit committee. This modern model ensures that the Bank has a firm grip over customer risks and keeps the NPL ratio low.

In 2010, the risk management policy continued to be reviewed and updated to suit the market condition. Particularly, the Bank revised and promulgated a series of important documents: Credit risk appetite for corporate and individual customers, Credit Policy, Lending regulation, guarantee regulation, regulations on credit appraisal, process on granting credit for enterprises and several credit directives to control credit risk in industries that account for a large proportion of the Bank's outstanding loans. In the year, the Risk Management Division also worked out a methodology to develop a credit rating system for SME and MSME customers based on the credit risk management model advised by McKinsey. The rating system was initially piloted at 6 branches, and will be applied bank-wide in 2011.

The combination of centralized and multi-layer risk controls ensure that Techcombank evaluates rigorously and fully all possible risks in order to develop appropriate pre-emptive policies.

Techcombank has piloted the rating system advised by McKinsey at 6 branches, and has prepared for bank-wide implementation in 2011.

# 6 branches





All adjustments to interest rate at Techcombank are based on detailed economic analysis using technical analysis tools.

Emerging from the recent financial crisis, an important lesson on risk management for credit institutions is not only to manage their own risk but also to deeply understand the risk management capacity of partner financial institutions in the market. Due to the market dynamics, the risk of any other financial institution can severely affect the operations of the bank. Thus, Techcombank has completed the framework of credit risk management for financial institutions to identify, evaluate and measure risks, and simultaneously develop risk appetites, internal credit scoring system, credit policies and guidelines for customers which are financial institutions.

## MARKET RISK MANAGEMENT

Techcombank was one of the first banks to successfully apply the market risk management system in 2003, to take pre-emptive measures against risks of foreign exchange and securities trading as well as risks concerning interest rate and liquidity.

In 2010, market risk management models continued to be improved by updating the most advanced technology, and the processes were enhanced to improve operational efficiency, and enhance risk control in business operations.

Foreign exchange trading operations:

- Set limits on the position of foreign exchange for all currencies, control over daily limits, in order to meet the requirements of the State Bank of Vietnam and the purpose of internal risk management as updated by ALCO in each period.
- Provide warning about the volatility of the market, support business units to identify trends of strong foreign currencies.

Gold trading operations:

- Monitor and control the gold account brokerage and trading.
- Set and propose gold limits and control over daily limits.
- Report on the transaction position of physical gold trading operations.
- Perform technical analysis, fundamental analysis for the gold price trend.

Securities trading operations:

- Control the buying / selling price of bonds.
- Develop management models, evaluate the efficiency of security portfolio.
- Contribute ideas to build securities trading processes.

Business operations in the commodity futures market:

- Take complete control over the Commodity Futures Brokerage: Control over the risks of real-time loss to each customer's account; control and review limits for customers making commodity transactions quarterly.
- Research and apply electronic trading software Jtrader with many useful utilities for customers and the electronic transaction control system of SARA equipped by Techcombank.
- Develop and advise risk management policy for Coffee Exchange of BCEC-DakLak in DakLak province.

- Research the commodity options and develop sophisticated options in general and for big customers like Vietnam Airlines.

Control risks of interest rate and liquidity:

- ALCO Committee of the Bank holds regular and ad-hoc meetings to evaluate interest rate risk. Techcombank's decisions on interest rate adjustment policy are based on thorough analysis of the business environment, and technical tools of interest rate measurement.
- For liquidity risk management, in 2010, Techcombank developed tools to monitor, supervise and ensure the daily adequacy ratios, including the solvency ratio, which credit institutions are required to comply with the State Bank's regulation as well as internal liquidity indicators of the Bank.

## OPERATIONAL RISK MANAGEMENT

Operational risks are the risks arising from inappropriate processes, people and system or incorrect operations or due to external events. This type of risk occurs quite frequently in the operations of banks and it is paid special attention by Techcombank. The operational risk working group holds monthly meetings to discuss and work out solutions for critical operational risks of the Bank.

In 2010, core programs of operational risk management were completely developed, including loss data collection, risk evaluation and measurement of main risk indicators. The operational risk management software was initially developed in 2009 and completed in 2010, meeting the needs of operational risk management of Techcombank in a few years to come. In September 2010, the software was transferred to the IT & Operations Division for administration.

Also in 2010, the Operational Risk Management Department received additional tasks such as assessing operational risk factors in new processes / products before launching and acting as a contact point to review, negotiate and sign insurance policies.

In 2010, risk management policies continued to be reviewed and updated to suit the market condition.



Techcombank was one of the first banks to successfully apply the market risk management system since 2003.



“Techcombank embraces the ethos to progress in tandem with the Community.”

For the past years, community activities have gone hand in hand with the development of Techcombank, and also grown in terms of scope and practice, thereby affirming the Bank's strong commitment to the development of society.

The year 2010 was filled with meaningful social activities for Techcombank; in which the bank paid special attention to educational and talent development programs to contribute to the nation's knowledge resource advancement. Taking on the role of a major sponsor for many pioneer competitions in Vietnam, Techcombank aspires to facilitate our young generation's access to modern global knowledge. Some typical programs:

- The first-ever competition for “Microsoft Office World Champion 2010” in Vietnam by Ministry of Education and Training and IIG Company in May 2010 took place in more than 100 universities nationwide. This is a competition on Microsoft Office skills and has been held annually by Certiport worldwide to discover the best candidates in each country.
- “The First International Piano Contest 2010 in Hanoi” held by Vietnam National Academy of Music and Center of Talent Support with the participation of more than 63 contestants from 10 countries all over the world. This event left a good impression in the world of art, provided an opportunity to develop and support young protégés and brought international classical music to the music-loving community of Vietnam.

Aside from educational advancements, Techcombank also engaged in charitable activities with the enthusiastic participation of all staff. In 2010, many activities were launched to embody the Vietnamese spirit of “the good leaves shield the worn-out”, reflecting the attitude of Techcombank employees towards people in need, such as:

- Provided over VND 1.4 billion for people in the Central Region affected by floods.
- Sponsored VND 200 billion for charity music night held by Union of Friendship Organizations of Kien Giang province.
- Sponsored over VND 70 million for Charitable Golf Tournament held by Ho Chi Minh City Police Newspaper to purchase medical equipment for Tu Mo Rong Hospital in Kon Tum province and Cu Jut Hospital in Dak Lak.
- Supported Agent Orange Victims Fund of Phu Tho province to help the victims cope with their sickness and enable their integration into the community.
- Notably, in 2010, Techcombank actively participated as the main sponsor in the program “Walking with Vietnam Gold Star – Supporting Disadvantaged Children”. This program resonated widely and attracted massive support from the mass media to highlight the social responsibilities of enterprises and recipients of the Gold Star Prize.

It's a long standing tradition of Techcombank staff to build up the spirit of mutual support via their enthusiasm for socially-responsible activities. These activities will always accompany the Bank's business operations, creating the core cultural value of Techcombank brand- a prestigious, trustworthy and community-responsible Bank.



Humanitarian support for flood victims in Central Vietnam



Sharing and caring for fellow countrymen in Ha Tinh province



Participating in walkathon event, organized by Vietnam Gold Star Award.



Driving Change to enable continuous  
**Improvement**

### UPHOLDING PROFESSIONALISM AND INTERNATIONAL BEST PRACTICES

In recent years, Techcombank has gone through successive rounds of organizational restructuring to raise the level of professionalism and enable its modernization drive. These endeavors helped Techcombank to win the “Best Bank in Vietnam 2010” award conferred by Euromoney, the leading financial magazine in the world.



# CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2010

Corporate Information	55
Independent Audit's Report	56
Consolidated Balance Sheet	57
Consolidated Statement of Income	60
Consolidated Statement of Cash Flows	61
Notes to the Consolidated Financial Statements	63

## CORPORATE INFORMATION

<b>Banking Licence No.</b>	0040/NH - GP	6 August 1993
	The banking licence was issued by the State Bank of Vietnam and was valid for 20 years from the date of the banking licence. The operation period was extended to 99 years under Decision No. 330/QD-NH5 issued by the State Bank of Vietnam dated 8 October 1997.	
<b>Business Registration Certificate No.</b>	055697	7 September 1993
	The initial Business Registration Certificate and updates were issued by Hanoi Department of Planning and Investment, of which the most updated was issued on 29 June 2010.	
<b>Board of Directors</b>	Mr. Ho Hung Anh	Chairman
	Mr. Nguyen Dang Quang	First Vice Chairman
	Mr. Nguyen Thieu Quang	Vice Chairman
	Mr. Nguyen Canh Son	Vice Chairman
	Mr. Sumit Dutta	Member
	Mr. Madhur Maini	Member
	Mr. Tran Thanh Hien	Member
	Mr. Stephen Colin Moss	Member
	Mr. Nguyen Duc Vinh	Member
<b>Board of Management</b>	Mr. Nguyen Duc Vinh	Chief Executive Officer
	Mr. Pham Quang Thang	Head of SME Banking
	Mr. Le Xuan Vu	Head of Strategy and Development
	Ms. Dang Tuyet Dung	Head of Retail Banking
	Ms. Bach Thuy Ha	Head of Transaction Banking
	Mr. Phan Thanh Son	Head of Markets
	Mr. Nguyen Cong Thanh	Head of Corporate Banking
	Mr. Nguyen Canh Vinh	Head of Sales & Distributions
	Mr. Anthony Guerrier	Head of Finance and Planning
	Ms. Do Diem Hong	Head of Financial Institutions
	Mr. Phung Quang Hung	Head of Technology
	Mr. Nguyen Thanh Long	Head of Legal and Compliance
	Mr. Nguyen Van Tho	Head of Human Resources
	Ms. To Thuy Trang	Head of Marketing
	Mr. Suleman Chhagla	Head of Risk Management
<b>Legal representative</b>	Mr. Ho Hung Anh	Chairman
<b>Registered office</b>	70-72 Ba Trieu Street Hoan Kiem District, Hanoi, Vietnam	
<b>Auditors</b>	KPMG Limited Vietnam	

# INDEPENDENT AUDITOR'S REPORT



**KPMG Limited**  
16th Floor, Pacific Place  
83B Ly Thuong Kiet Street  
Hoan Kiem District, Hanoi  
The Socialist Republic of Vietnam

Telephone + 84 (4) 3946 1600  
Fax + 84 (4) 3946 1601  
Internet www.kpmg.com

To the Shareholders and the Board of Directors  
**VIETNAM TECHNOLOGICAL AND COMMERCIAL JOINT STOCK BANK**

## Scope

We have audited the accompanying consolidated balance sheet of Vietnam Technological Commercial Joint Stock Bank ("the Bank") and its subsidiaries (collectively, "Techcombank") as of 31 December 2010 and the related consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's management on 8 March 2011. These 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.

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material 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 management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Vietnam Technological and Commercial Joint Stock Bank and its subsidiaries as of 31 December 2010 and of their consolidated results of operations and their consolidated cash flows for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirement.

**KPMG Limited**  
Vietnam  
Investment Certificate No: 011043000345  
Audit Report No: 10-02-183/2



Mark E. Jerome  
CPA No. 0628/KTV  
Deputy General Director  
Hanoi, 08 Mar 2011

Nguyen Thuy Duong  
CPA No. 0893/KTV

# CONSOLIDATED BALANCE SHEET

As at 31 December 2010

Form B02/TCTD-HN

	Notes	31/12/2010 VND million	31/12/2009 VND million
<b>A ASSETS</b>			
<b>I Cash and gold on hand</b>	3	4,316,209	1,973,057
<b>II Balances with the State Bank of Vietnam</b>	4	2,752,951	2,719,744
<b>III Balances with and loans to other credit institutions</b>	5	46,831,156	26,268,954
1 Deposits with other credit institutions		46,829,156	25,899,195
2 Loans to other credit institutions		2,000	379,049
3 Allowance for loans to other credit institutions		-	(9,290)
<b>IV Securities held for trading</b>	6	488,186	425,261
1 Securities held for trading		566,608	425,265
2 Allowance for diminution in the value of securities held for trading		(78,422)	(4)
<b>V Derivatives and other financial assets</b>	7	-	46,512
<b>VI Loans and advances to customers</b>		52,316,862	41,580,370
1 Loans and advances to customers	8	52,927,857	42,092,767
2 Allowance for loans and advances to customers	9	(610,995)	(512,397)
<b>VII Investment securities</b>	10	31,044,804	13,608,323
1 Available for sale securities		27,133,053	10,311,480
2 Held to maturity securities		3,923,251	3,296,843
3 Allowance for diminution in the value of investment securities		(11,500)	-
<b>VIII Long-term investments</b>	11	69,645	65,668
4 Other long-term investments		69,645	65,668
<b>IX Fixed assets</b>		1,003,907	700,901
1 Tangible fixed assets	12	831,259	585,114
a. Cost		1,041,590	713,608
b. Accumulated depreciation		(210,331)	(128,494)
3 Intangible fixed assets	13	172,648	115,787
a. Cost		221,176	149,814
b. Accumulated amortisation		(48,528)	(34,027)
<b>XI Other assets</b>	14	11,467,495	5,192,714
1 Receivables		8,747,242	3,889,531
2 Accrued interest and fee receivable		2,219,043	1,112,806
3 Deferred tax assets		23,922	21,942
4 Other assets		477,472	168,619
5 Allowance for other on-balance sheet assets		(184)	(184)
<b>TOTAL ASSETS</b>		<b>150,291,215</b>	<b>92,581,504</b>

The accompanying notes are an integral part of the consolidated financial statements

# CONSOLIDATED BALANCE SHEET (continued)

CONSOLIDATED BALANCE SHEET(continued)

As at 31 December 2010

Form B02/TCTD-HN

	Notes	31/12/2010 VND million	31/12/2009 VND million
<b>B LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>I Amounts due to the Government and the State Bank of Vietnam</b>	15	8,091,316	3,932,348
<b>II Deposits and borrowings from other credit institutions</b>	16	27,783,114	10,346,086
1 Deposits from other credit institutions		22,199,978	7,706,966
2 Borrowings from other credit institutions		5,583,136	2,639,120
<b>III Deposits from customers</b>	17	80,550,753	62,347,400
<b>IV Derivatives and other financial liabilities</b>	7	52,888	-
<b>V Other borrowed and entrusted funds</b>	18	6,641,090	1,632,826
<b>VI Valuable papers issued</b>	19	15,024,217	5,036,565
<b>VII Other liabilities</b>	20	2,758,676	1,962,453
1 Accrued interest and fee payables		1,378,833	838,657
3 Other liabilities		1,303,439	1,051,751
4 Provision for off-balance sheet commitments		76,404	72,045
<b>TOTAL LIABILITIES</b>		<b>140,902,054</b>	<b>85,257,678</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>VIII Capital and reserves</b>	21	9,389,161	7,323,826
1 Capital		6,932,555	5,400,788
a. Share capital		6,932,184	5,400,417
g. Other capital		371	371
2 Reserves		691,111	472,210
5 Retained earnings		1,765,495	1,450,828
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,389,161</b>	<b>7,323,826</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>150,291,215</b>	<b>92,581,504</b>

The accompanying notes are an integral part of the consolidated financial statements

As at 31 December 2010

Form B02/TCTD-HN

	Notes	31/12/2010 VND million	31/12/2009 VND million
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>I CONTINGENT LIABILITIES</b>			
2 Letters of credit		5,410,639	6,082,655
3 Other guarantees		5,594,889	4,186,579
<b>II OTHER COMMITMENTS</b>			
1 Undrawn loan commitments		3,541	6,931
2 Unmatured foreign currency contracts		2,934,601	1,342,512

Approved by:



Bui Thu Trang  
Chief Accountant  
08 Mar 2011



Nguyen Duc Vinh  
Chief Executive Officer

The accompanying notes are an integral part of the consolidated financial statements

# CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

Form B03/TCTD-HN

	Notes	2010 VND million	2009 VND million
1 Interest and similar income	22	10,934,383	6,882,366
2 Interest and similar expenses	22	(7,750,034)	(4,382,546)
<b>I Net interest income</b>	<b>22</b>	<b>3,184,349</b>	<b>2,499,820</b>
3 Fee and commission income	23	1,186,620	740,427
4 Fee and commission expenses	23	(256,820)	(99,368)
<b>II Net fee and commission income</b>	<b>23</b>	<b>929,800</b>	<b>641,059</b>
<b>III Net gain/(loss) from trading of foreign currencies and gold</b>		<b>(91,383)</b>	<b>48,089</b>
<b>IV Net gain/(loss) from trading of securities held for trading</b>	<b>24</b>	<b>(71,418)</b>	<b>150,453</b>
<b>V Net gain from investment securities</b>	<b>25</b>	<b>160,335</b>	<b>372,165</b>
5 Other income	26	696,116	196,134
6 Other expenses		(169,525)	(18,007)
<b>VI Net other income</b>		<b>526,591</b>	<b>178,127</b>
<b>VII Income from investments in other entities</b>		<b>80,747</b>	<b>28,441</b>
<b>VIII Operating expenses</b>	<b>27</b>	<b>(1,587,749)</b>	<b>(1,183,772)</b>
<b>IX Operating profit before allowance and provision expenses</b>		<b>3,131,272</b>	<b>2,734,382</b>
<b>X Allowance and provision expenses</b>	<b>28</b>	<b>(387,645)</b>	<b>(481,485)</b>
<b>XI Profit before tax</b>		<b>2,743,627</b>	<b>2,252,897</b>
7 Income tax expense – current	29	(672,852)	(574,670)
8 Income tax expense – deferred	29	1,980	21,942
<b>XII Total income tax expense</b>		<b>(670,872)</b>	<b>(552,728)</b>
<b>XIII Net profit after tax</b>		<b>2,072,755</b>	<b>1,700,169</b>
<b>XV Basic earnings per share (VND/share)</b>	<b>30</b>	<b>2,990</b>	<b>2,453</b>
<b>XVI Diluted earnings per share (VND/share)</b>	<b>30</b>	<b>2,389</b>	<b>2,453</b>

Approved by:



Bui Thu Trang  
Chief Accountant  
08 Mar 2011



Nguyen Duc Vinh  
Chief Executive Officer

The accompanying notes are an integral part of the consolidated financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

Form B04/TCTD-HN

	Notes	2010 VND million	2009 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01 Interest and similar income received		9,828,146	6,647,389
02 Interest and similar expenses paid		(7,209,858)	(4,544,204)
03 Fee and commission income received		929,800	641,059
04 Net receipts from foreign currencies, gold and securities trading activities		87,452	422,393
05 Other income received		287,534	31,410
06 Proceeds from loans previously written off		240,067	146,781
07 Operating and salary expenses payments		(1,490,250)	(1,108,714)
08 Income tax paid		(550,979)	(706,271)
<b>Net cash inflows from operating activities before changes in operating assets and liabilities</b>		<b>2,121,912</b>	<b>1,529,843</b>
<b>Changes in operating assets</b>			
09 Balance with and loans to credit institutions		(3,147,541)	(3,793,126)
10 Securities held for trading and investment securities		(17,589,324)	(3,387,701)
11 Derivatives and other financial assets		46,512	(16,605)
12 Loans and advances to customers		(11,129,070)	(15,995,738)
14 Other assets		(5,166,564)	(2,572,282)
<b>Changes in operating liabilities</b>			
15 Amounts due to the Government and SBV		4,158,968	3,932,348
16 Deposits and borrowings from other credit institutions		17,437,028	1,375,817
17 Deposits from customers		18,203,353	22,729,677
18 Valuable papers issued		7,070,437	2,274,772
19 Other borrowed and entrusted funds		5,008,264	1,400,865
20 Derivatives and other financial liabilities		52,888	-
21 Other liabilities		129,814	374,548
22 Utilisations of reserves		(8,427)	(1,815)
<b>I NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>		<b>17,188,250</b>	<b>7,850,603</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
01 Payments for purchases of fixed assets		(401,210)	(211,513)
02 Proceeds from disposal of fixed assets		705	-
07 Payments for investments in other entities		(3,977)	757
09 Dividends received from long-term investments		80,747	28,441
<b>II NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>		<b>(323,735)</b>	<b>(182,315)</b>

The accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2010

Form B04/TCTD-HH

	Notes	2010 VND million	2009 VND million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
02 Proceeds from issuance of valuable papers		2,917,215	-
<b>III NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>		<b>2,917,215</b>	-
<b>IV NET INCREASE IN CASH FLOWS FOR THE YEAR</b>		<b>19,781,730</b>	<b>7,668,288</b>
<b>V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>20,957,706</b>	<b>13,289,418</b>
<b>VI CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	31	<b>40,739,436</b>	<b>20,957,706</b>

Approved by:

  
Bui Thu Trang  
Chief Accountant  
08 Mar 2011

  
Nguyen Duc Vinh  
Chief Executive Officer

The accompanying notes are an integral part of the consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

Form B05/TCTD-HH

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

### 1. REPORTING ENTITY

Vietnam Technological and Commercial Joint Stock Bank (herein referred to as "the Bank") is a joint stock bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking Licence No. 0040/NH-GP dated 6 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.055697 dated 7 September 1993 issued by Hanoi Department of Planning and Investment. Its operation period was extended to 99 years under Decision No.330/QĐ-NH5 dated 8 October 1997 by the SBV.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposit funds from organisations and individuals; granting loans on short, medium and long-term basis up to the nature and ability of the Bank's capital resources; conducting settlement and cash services and other banking services as approved by the SBV; conducting investments in associate, joint-ventures and other companies; investment in bonds and deal in foreign exchange in accordance with applicable regulations.

As at 31 December 2010, the Bank's share capital is VND6,932,183,710,000. Face value per share is VND10,000.

The Bank's Head Office is located at 70-72 Ba Trieu, Hanoi. As at 31 December 2010, the Bank has one (1) Head Office, two (2) representative offices, one (1) transaction centre, fifty six (56) branches, two hundred and twenty four (224) transaction offices nationwide and three (3) subsidiaries.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2010 comprise the Bank and its subsidiaries (together referred to as "Techcombank").

As at 31 December 2010, the Bank had three (3) subsidiaries as follows:

Subsidiaries	Operating licence	Nature of Business	% owned by Techcombank
Techcom Securities Company Limited	98/UBCK-GP, dated 18 September 2008 granted by State Securities Commission.	Securities activities	100%
Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited	0104003519 dated 18 June 2008 granted by Hanoi Department of Planning and Investment.	Asset management	100%
Techcom Capital Management Company Limited	40/UBCK-GP, dated 21 October 2008 granted by State Securities Commission.	Fund management	100%

As at 31 December 2010, Techcombank had 7,481 employees (31 December 2009: 5,548 employees).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidated financial statement preparation

#### (i) General basis of accounting

The consolidated financial statements, expressed in Vietnam Dong ("VND"), rounded to the nearest million, have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam, and the relevant statutory requirements. These accounting policies may differ in some material respects from the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices.

The consolidated financial statements are prepared on the accruals basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method. The accounting policies have been consistent with those used in the previous years.

#### (ii) Basis of consolidation

##### Subsidiaries

Subsidiaries are those companies over which the Bank has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date on which control ceases.

Techcombank uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equities instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of the minority interest.

##### Transactions eliminated on consolidation

Inter-company balances, transactions and unrealised gains on transactions between those subsidiaries and the Bank are eliminated. Unrealised losses also eliminated unless transactions provide evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed when necessary to ensure the consistency with the policies adopted by the Bank.

##### 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.

#### (b) Fiscal year

The fiscal year of the Techcombank is from 1 January to 31 December.

#### (c) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the rates of exchange ruling at the balance sheet date. Non-monetary foreign currency assets and liabilities are reported using the exchange rates effective at the dates of the transactions.

For the year ended 31 December 2010

Form B05/TCTD-HN

Translation adjustments arising from dealing activities as at the balance sheet date are taken to the consolidated statement of income. Income/expense transactions incurred in foreign currencies are recognised in the consolidated statement of income in VND using the exchange rates ruling on the dates of the transactions.

#### (d) Cash and cash equivalents

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

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

#### (e) Investment securities

Investment securities are classified into three categories: i) securities held for trading, ii) available for sale investment securities and iii) held to maturity investment securities. Techcombank classifies investment securities at the purchase date.

##### (i) Securities held for trading

Securities held for trading are debt or equity securities, which are acquired for selling in the short-term in order to realise profit gained from price differences. Securities held for trading are initially recognised at cost at date of the transaction. They are subsequently measured at the lower of cost and market value. Gains or losses from the disposal of securities held for trading are recognised in the consolidated statement of income.

##### (ii) Available-for-sale investment securities

Available-for-sale investment securities are debt securities or equity securities, which are acquired for an indefinite period and may be sold at any time. Available-for-sale investment securities are stated at the 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 method over the period from the acquisition dates to maturity dates.

##### (iii) Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities with fixed or determinable payment and fixed maturities where Techcombank's management have the positive intention and ability to hold until maturity. Held-to-maturity investment securities are stated at cost. They are subsequently measured at the lower of cost and market value if there is indication of long-term diminution in value. Premiums and discounts arising from purchases of held-to-maturity securities are amortised to the consolidated statement of income using straight-line method over the period from the acquisition dates to maturity dates.

#### (f) Long-term investments

##### (i) Other long-term investments

Other long term investments are investments in the equity of companies of less than 11% of the voting rights. These investments are initially stated at cost of acquisition. Allowance for diminution in value is required for other long term investments when investee companies suffer losses, except when the loss was anticipated in their business plan before the date of investment (Note 2(g)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Allowance for diminution in the value of investment securities and long-term investments

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

In accordance with Official Letter 7459/NHNN-KTTC issued by the SBV on 30 August 2006, allowance is required for held-to-maturity investment securities when there is indication of long-term diminution in the value of investments.

Allowances for diminution in the value of investments in economic entities (such as limited liability companies, joint stock companies, partnerships, joint ventures and other long-term investments), are required if the economic entities suffer losses (except when the loss was anticipated in their business plan before the date of investment).

### (h) Loans and advances to customers

Loans and advances to customers are stated at the amount of the principal outstanding less any allowance for loans and advances to customers.

Short-term loans are those with a repayment date within one year of the loan disbursement date. Medium-term loans are those with a repayment date between one to five years of the loan disbursement date. Long-term loans are those with a repayment date of more than five years from the date the loan disbursement date.

Decision No. 493/2005/QD-NHNN dated 22 April 2005 issued by State Bank of Vietnam ("Decision No.493"), which was amended and supplemented by Decision No. 18/2007/ QD-NHNN dated 25 April 2007 issued by State Bank of Vietnam ("Decision No.18"), requires specific allowance to be made for loans and advances on a quarterly basis based on loan groups.

The specific allowance disclosed at the balance sheet date (31 December 2010) is determined at the specific allowance amount required by Decision No.493 and Decision No.18 less any specific provision amount for loans and advances that had been subsequently collected during December 2010.

The specific allowance required by Decision No.493 and Decision No.18 is determined utilising the following allowance rates against principal outstanding as at 30 November 2010 less allowed value of collaterals.

Group	Overdue status	Allowance rate
1	Current • Current loans or overdue loans less than 10 days.	0%
2	Special mention • Loans being overdue between 10 days to 90 days; or • Loans having revised terms of repayments for the first time (if customers are assessed as being capable of repaying both principal and interest according to the first revised terms of repayments for the case of enterprises and organisational customers).	5%
3	Sub standard • Loans being overdue between 91 days and 180 days; • Loans having rescheduled terms of repayments for the first time except for the loans with revised terms of repayments classified into the abovementioned Group 2; or • Loans having exempt or reduced interest because customers are not able to pay the interest according to contracts.	20%

For the year ended 31 December 2010

Form B05/TCTD-HN

Group	Overdue status	Allowance rate
4	Doubtful • Loans being overdue between 181 days and 360 days; • Loans having rescheduled terms of repayments for the first time and being overdue less than 90 days according to the first rescheduled terms of repayments; or • Loans having rescheduled terms of repayments for the second time.	50%
5	Loss • Loans being overdue more than 360 days; • Loans having rescheduled terms of repayments for the first time and being overdue from 90 days or more according to the first rescheduled terms of repayments; • Loans having rescheduled terms of repayments for the second time and being overdue according to the second reschedule terms of repayments; • Loans having rescheduled terms of repayments for the third time; or • Blocked loans, or loans awaiting for settlements.	100%

The basis to determine the value and discounted value for each type of collateral is specified in Decision No.493 and Decision No.18.

Techcombank is also required to make a general allowance of 0.75% of outstanding loans and advances to customers 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 No.493. As at 31 December 2010, the Bank 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).

In accordance with the requirements of Decision No.493, loans and advances are written off against the allowance when loans and advances have been classified to Group 5 or when borrowers have declared bankruptcy or dissolved (for borrowers being organisations, enterprises) or borrowers have been dead or missing (for borrowers being individuals).

### (i) Allowance for loans to other credit institutions

Allowance for loans to other credit institutions are calculated in accordance with Decision No.493 and Decision No.18.

### (j) Provision for off-balance sheet commitments

In accordance with Decision No.18, Techcombank is also required to classify guarantees, acceptances, loan commitments which are irrevocable and unconditional into relevant groups and make specific allowances accordingly. The specific allowance rates for the above balances are the same as those for loans and advances to customers. Techcombank is also required to make a general provision of 0.75% of total irrevocable outstanding letters of guarantee, letters of credit, and loan commitments which are irrevocable and unconditional as at the balance sheet date. Such general provision is required to be made in full within 5 years from the effective date of Decision No.493. As at 31 December 2010, Techcombank 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).

### (k) Derivative financial instruments

Derivatives are recorded in a balance sheet account at contract value on the date which a derivative contract is entered into and revalued subsequently at exchange rate of each period end. Gains or losses from realisation of derivatives are recognised in the consolidated statement of income. Unrealised gains or losses are recognised in balance sheet foreign currency difference reserve and transferred to the consolidated statement of income at the balance sheet date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) 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 the statement of income in the period in which the costs are incurred. In situations where 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:

• Buildings and building improvements	20 - 50 years
• Office equipment	4 - 8 years
• Motor vehicles	7 years
• Others	4 - 5 years

### (m) Intangible fixed assets

#### (i) Software

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over 8 years.

#### (ii) Land use rights

##### Leasehold land use rights

Leasehold land use rights are stated at cost less accumulated amortisation. 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. Amortisation is computed on a straight-line basis over 25-50 years.

##### Freehold land use rights

Freehold land use rights are stated at cost and are not amortised. 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.

#### (iii) Other intangible fixed assets

Other intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is computed on a straight line basis over 4-8 years.

### (n) Provision

A provision other than those described in Notes 2(j) and 2(o) is recognised if, as a result of a past event, Techcombank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

For the year ended 31 December 2010

Form B05/TCTD-HN

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (o) Provision for severance allowance

Under the Vietnamese Labour Code, when employees who have worked 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 based on employees' years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009, Techcombank and its 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 and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, Techcombank is 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 2010 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.

### (p) Other payables

Other payables are stated at their cost.

### (q) Share capital

#### (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 issue price and the par value of the shares is credited to share premium account in equity.

### (r) Reserves and funds

#### The Bank

According to Decree 146/2005/ND-CP dated 23 November 2005 issued by the Government of Vietnam, the Bank is required to make the following allocations before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement share capital	5% of profit after tax	Share capital
Financial reserve	10% of remaining profit after tax	25% share capital

Bonus and welfare funds are allocated from profit after tax at decision by the shareholders in the Annual General Meeting and are used primarily to make payments to the Bank's employees. These funds are not required by law and are fully distributable.

Other equity funds are allocated from profit after tax. The allocation from profit after tax and the utilisation of the other equity funds are approved by the shareholders in the Annual General Meeting. These funds are not required by law and are fully distributable.

For the year ended 31 December 2010

Form B05/TCTD-HN

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Reserves and funds (continued)

#### The subsidiaries

Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited

According to Circular 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, the allocations to reserves before distribution of profits are required to be made the same as that of the Bank.

Techcom Securities Company Limited

According to Circular 27/2007/QD-BTC dated 24 April 2007 issued by the Ministry of Finance, securities companies are required to make the following allocation from profit after tax before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement chartered capital	5% of profit after tax	100% of chartered capital
Financial reserve	5% of profit after tax	10% of chartered capital

The purpose of the financial reserve is to cover losses incurred during the normal course of business. This reserve together with the reserve to supplement chartered capital is non-distributable.

### (s) Revenue recognition

#### (i) Interest income

Interest income is recognised in the consolidated statement of income on an accruals basis, except for interest on loans classified in Group 2 to Group 5 as defined in Note 2(h) which is recognised upon receipt.

#### (ii) Fee and commission income

Fees and commissions are recognised in the consolidated statement of income on an accruals basis.

#### (iii) Dividend income

Dividends receivable in cash are recognised in the consolidated statement of income when Techcombank's right to receive payment is established.

In accordance with Circular No. 244/TT-BTC dated 31 December 2009 issued by the Ministry of Finance, dividends received in the form of shares, bonus shares and rights to purchase shares of the existing shareholders, dividends received by Techcombank in form of shares distributed from retained earnings are not recognised as an increase in the value of the investment and income is not recognised in the consolidated statement of income. The Bank records the number of shares increased in the notes to financial statements.

#### (t) Interest expenses

Interest expenses are recognised in the consolidated statement of income on an accruals basis.

For the year ended 31 December 2010

Form B05/TCTD-HN

### (u) 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. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

### (v) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income.

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

Deferred tax is provided using the balance sheet method, providing for 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.

### (w) Earnings per share

The Bank presents its basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit and loss attributable to the ordinary shareholders of the Bank and the weighted average number of ordinary shares outstanding during the year for the effect of all diluted instruments, which comprise convertible bonds.

### (x) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control another party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence.

### (y) Segment reporting

A segment is a distinguishable component of Techcombank that is 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 that are different from those of other segments. Techcombank's primary format for segment reporting is based on geographical segments and business segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

### 3. CASH AND GOLD ON HAND

	31/12/2010 VND million	31/12/2009 VND million
Cash on hand in VND	1,257,998	781,272
Cash on hand in foreign currencies	295,318	360,430
Gold on hand	2,762,893	831,355
	<u>4,316,209</u>	<u>1,973,057</u>

### 4. BALANCES WITH THE STATE BANK OF VIETNAM

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

Under the State Bank of Vietnam's regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirement ("CRR"). The monthly average balance of the reserves must not be less than CRR rates multiply with preceding month's average balances of deposits in scope as follows:

Deposits in scope	CRR rates	
	31/12/2010	31/12/2009
Preceding month's average balances of:		
• Deposits in foreign currencies with term of less than 12 months	4.00%	7.00%
• Deposits in foreign currencies with term of and more than 12 months	2.00%	3.00%
• Deposits in VND with term of less than 12 months	3.00%	3.00%
• Deposits in VND with term of and more than 12 months	1.00%	1.00%

	31/12/2010 VND million	31/12/2009 VND million
Current account and compulsory reserve	<u>2,752,951</u>	<u>2,719,744</u>

For the year ended 31 December 2010

Form B05/TCTD-HN

### 5. BALANCES WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31/12/2010 VND million	31/12/2009 VND million
<b>Current accounts</b>		
Current accounts in VND	3,938,370	1,491,706
Current accounts in foreign currencies	5,675,663	1,937,589
<b>Term deposits</b>		
Term deposits in VND	29,395,354	11,460,384
Term deposits in foreign currencies	7,819,769	11,009,516
<b>Loans</b>		
Loans in VND	2,000	150,000
Loans in foreign currencies	-	229,049
Allowance for loans to other credit institutions	-	(9,290)
	<u>46,831,156</u>	<u>26,268,954</u>

### 6. SECURITIES HELD FOR TRADING

	31/12/2010 VND million	31/12/2009 VND million
<b>Equity securities</b>		
• Shares issued by local credit institutions	215,765	221,223
• Shares issued by local economic entities	350,843	204,042
	<u>566,608</u>	<u>425,265</u>
Allowance for diminution in the value of securities held for trading (i)	(78,422)	(4)
	<u>488,186</u>	<u>425,261</u>

(i) Movements in allowance for diminution in the value of securities held for trading were as follows:

	2010 VND million	2009 VND million
Balance at 1 January	4	59,622
Allowance made in the year	78,418	4
Reversal of allowance in the year	-	(59,622)
Balance at 31 December	<u>78,422</u>	<u>4</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

Listing status of securities held for trading were as follows:

	31/12/2010 VND million	31/12/2009 VND million
<b>Equity securities</b>		
• Listed	562,114	423,347
• Unlisted	4,494	1,918
	<b>566,608</b>	<b>425,265</b>

## 7. DERIVATIVES AND OTHER FINANCIAL ASSETS/ (LIABILITIES)

	31/12/2010		31/12/2009	
	Total contract nominal value (at foreign exchange rate at contract date) VND million	Total carrying value (at foreign exchange rate at balance sheet date) Assets/ (liabilities) VND million	Total contract nominal value (at foreign exchange rate at contract date) VND million	Total carrying value (at foreign exchange rate at balance sheet date) Assets/ (liabilities) VND million
Foreign exchange forward contracts	2,868,925	(13,664)	4,499,307	83,038
Foreign exchange swap contracts	2,919,076	(39,224)	1,365,016	(41,454)
Gold future contracts	-	-	149,826	4,928
	<b>5,788,001</b>	<b>(52,888)</b>	<b>6,014,149</b>	<b>46,512</b>

## 8. LOANS AND ADVANCES TO CUSTOMERS

	31/12/2010 VND million	31/12/2009 VND million
Loans to local economic entities and individuals	52,471,320	41,619,593
Discounted bills	219,596	370,613
Loans financed by trusted funds	236,941	102,561
	<b>52,927,857</b>	<b>42,092,767</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

Loan portfolio by loan group is as follows:

	31/12/2010 VND million	%	31/12/2009 VND million	%
Current	50,096,997	94.65%	39,344,756	93.47%
Special mention	1,619,793	3.06%	1,700,007	4.04%
Substandard	718,812	1.36%	474,050	1.13%
Doubtful	320,284	0.61%	431,159	1.02%
Loss	171,971	0.32%	142,795	0.34%
	<b>52,927,857</b>	<b>100%</b>	<b>42,092,767</b>	<b>100%</b>

Loan portfolio by term is as follows:

	31/12/2010 VND million	%	31/12/2009 VND million	%
Short term	30,076,441	56.82%	28,310,069	67.26%
Medium term	10,468,073	19.78%	8,320,863	19.77%
Long term	12,383,343	23.40%	5,461,835	12.97%
	<b>52,927,857</b>	<b>100%</b>	<b>42,092,767</b>	<b>100%</b>

Loan portfolio by industry sectors is as follows:

	31/12/2010 VND million	%	31/12/2009 VND million	%
Agriculture and forestry	19,706,317	37.23%	6,348,894	15.08%
Trading, manufacturing and processing	8,726,192	16.49%	16,169,326	38.41%
Construction	4,445,127	8.40%	2,752,698	6.54%
Warehousing, transportation and communication	443,669	0.84%	1,499,600	3.56%
Individuals and others	19,606,552	37.04%	15,322,249	36.41%
	<b>52,927,857</b>	<b>100%</b>	<b>42,092,767</b>	<b>100%</b>

Loan portfolio by type of borrowers is as follows:

	31/12/2010 VND million	%	31/12/2009 VND million	%
State owned enterprises	769,117	1.45%	2,300,537	5.47%
Limited liability companies	15,823,427	29.90%	13,252,401	31.48%
Joint stock companies	12,921,669	24.41%	13,213,608	31.39%
Foreign invested companies	2,909,300	5.50%	473,033	1.12%
Private businesses	1,530,244	2.89%	1,437,941	3.42%
Individuals and others	18,974,100	35.85%	11,415,247	27.12%
	<b>52,927,857</b>	<b>100%</b>	<b>42,092,767</b>	<b>100%</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 9. ALLOWANCE FOR LOANS AND ADVANCES TO CUSTOMERS

Allowance for loans and advances to customers consists of:

	31/12/2010 VND million	31/12/2009 VND million
General allowance	384,860	315,081
Specific allowance	226,135	197,316
	<b>610,995</b>	<b>512,397</b>

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

	2010 VND million	2009 VND million
Balance as at 1 January	315,081	148,354
Allowance made in the year	69,779	166,727
Balance as at 31 December	<b>384,860</b>	<b>315,081</b>

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

	2010 VND million	2009 VND million
Balance at 1 January	197,316	175,678
Allowance made in the year	654,439	321,940
Reversal of allowance in the year	(331,642)	(54,314)
Utilisation of allowance in the year	(293,978)	(245,988)
Balance at 31 December	<b>226,135</b>	<b>197,316</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## 10. INVESTMENT SECURITIES

	31/12/2010 VND million	31/12/2009 VND million (Restated)
<b>Available for sale securities</b>		
<i>Debt securities</i>		
• Government bonds	7,205,705	6,217,192
• Bonds issued by local economic entities	6,134,452	1,749,398
• Bonds issued by local credit institutions	13,765,004	2,339,625
<i>Equity securities</i>		
• Shares issued by local economic entities	27,800	5,265
• Shares issued by local credit institutions	92	-
	27,133,053	10,311,480
Allowance for diminution in the value of available for sale securities	(11,500)	-
	<b>27,121,553</b>	<b>10,311,480</b>
<b>Held to maturity securities</b>		
<i>Debt securities</i>		
• Government bonds	60,179	379,319
• Treasury bills by the State Bank of Vietnam	368,060	-
• Bonds issued by local economic entities	2,430,000	2,430,000
• Bonds issued by local credit institutions	1,065,012	87,524
• Certificate of deposits issued by local credit institutions	-	400,000
	<b>3,923,251</b>	<b>3,296,843</b>
	<b>31,044,804</b>	<b>13,608,323</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 11. LONG-TERM INVESTMENTS

	31/12/2010 VND million	31/12/2009 VND million
Other long-term investments – cost (i)	69,645	65,668
	<b>69,645</b>	<b>65,668</b>

(i) Long-term investments comprise of:

As of 31 December 2010

	31/12/2010		31/12/2009	
	Share holding %	Investment at cost VND million	Share holding %	Investment at cost VND million
<b>Investments in credit and similar institutions</b>				
Vietnam Chemical Finance JSC	10.00%	60,000	10.00%	30,000
HCM City Housing Development Commercial Joint Stock Bank				
<b>Investments in other economic entities</b>				
VINACONEX Corporation	-	-	0.54%	20,823
TCO Vietnam Investment JSC	11.00%	3,300	2.20%	660
S-Media JSC	-	-	16.50%	3,300
Vietnam Gold Business JSC	-	-	8.00%	8,000
Smartlink Card JSC	2.00%	1,000	2.00%	1,000
Banking Training and Consultancy JSC	5.51%	561	10.67%	562
PCB Investment JSC	6.36%	3,181	1.90%	380
S.W.I.F.T SCRL	0.09%	283	0.10%	283
Vietnam Real Estate Exchange JSC	10.00%	660	10.00%	660
TECHCOMDEVELOPER	11.00%	660	-	-
		<b>69,645</b>		<b>65,668</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## 12. TANGIBLE FIXED ASSETS

	Buildings and building improvements VND million	Office equipment VND million	Motor Vehicles VND million	Others VND million	Total VND million
<b>Cost</b>					
Balance at 1 January 2010	239,356	377,232	81,128	15,892	713,608
Additions	22,807	269,184	31,147	6,710	329,848
Disposals	-	(300)	(1,355)	(153)	(1,808)
Written off	(58)	-	-	-	(58)
Balance at 31 December 2010	262,105	646,116	110,920	22,449	1,041,590
<b>Accumulated depreciation</b>					
Balance at 1 January 2010	15,024	90,752	20,035	2,683	128,494
Charge for the year	4,649	56,280	20,215	1,854	82,998
Disposals	-	(147)	(875)	(139)	(1,161)
Written off	-	-	-	-	-
Balance at 31 December 2010	19,673	146,885	39,375	4,398	210,331
<b>Net book value</b>					
Balance at 1 January 2010	224,332	286,480	61,093	13,209	585,114
Balance at 31 December 2010	242,432	499,231	71,545	18,051	831,259

## 13. INTANGIBLE FIXED ASSETS

	Software VND million	Land use rights VND million	Others VND million	Total VND million
<b>Cost</b>				
Balance at 1 January 2010	99,481	47,426	2,907	149,814
Additions	71,056	-	306	71,362
Written off	-	-	-	-
Balance at 31 December 2010	170,537	47,426	3,213	221,176
<b>Accumulated amortisation</b>				
Balance at 1 January 2010	33,083	279	665	34,027
Charge for the year	13,689	46	766	14,501
Written off	-	-	-	-
Balance at 31 December 2010	46,772	325	1,431	48,528
<b>Net book value</b>				
Balance at 1 January 2010	66,398	47,147	2,242	115,787
Balance at 31 December 2010	123,765	47,101	1,782	172,648

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 14. OTHER ASSETS

	31/12/2010 VND million	31/12/2009 VND million
Receivables	8,747,242	3,889,531
• Internal receivables	174,352	86,623
• Deposits for office rental	192,160	147,280
• Receivables from SBV relating to Interest Subsidy Program	47,507	108,581
• Advances for contracts	181,021	87,188
• Repurchase agreements with other credit institutions	-	60,000
• Funds entrusted to other parties	3,724	510,623
• Advance to purchase securities (i)	7,869,982	1,681,150
• Deposits for gold, commodity and foreign currencies trading in futures markets	17,771	976,018
• Other external receivables	258,076	232,068
• Receivables on fund management activities	2,649	-
Accrued interest and fee receivables	2,219,043	1,112,806
Other assets	477,472	168,619
• Construction in progress	8,036	12,008
• Materials	65,694	53,802
• Prepayments	202,318	101,557
• Others	201,424	1,252
Deferred tax assets (ii)	23,922	21,942
Allowance for other on-balance sheet assets	(184)	(184)
	<b>11,467,495</b>	<b>5,192,714</b>

(i) These are short-term advances in VND to securities companies for the purpose of purchasing securities on behalf of the Bank. As at 31 December 2010, no securities have been bought by the securities companies (31 December 2009: Nil). The securities companies paid annual interest rates ranging from 11.0% to 15.5% (2009: 10.0% - 13.5%) to the Bank from the date of advance to the date of purchasing securities during the year.

(ii) Deferred tax assets are attributable to the unearned revenue

## 15. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

This represents borrowings from the State Bank of Vietnam under repurchase agreements of the Government bonds (Note 10). These borrowings have original terms of 7 days (2009: 15 days) and bear annual interest rate of 10% (2009: 8%).

For the year ended 31 December 2010

Form B05/TCTD-HN

## 16. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31/12/2010 VND million	31/12/2009 VND million
<b>Demand deposits</b>		
Demand deposits in VND	3,453,561	242,687
Demand deposits in foreign currencies	3,445,992	303,786
<b>Term deposits</b>		
Term deposits in VND	10,590,340	4,254,050
Term deposits in foreign currencies	4,710,085	2,906,443
	<b>22,199,978</b>	<b>7,706,966</b>
<b>Borrowings</b>		
Borrowings in VND	240,000	386,040
Borrowings in foreign currencies	5,343,136	2,253,080
	<b>5,583,136</b>	<b>2,639,120</b>
	<b>27,783,114</b>	<b>10,346,086</b>

## 17. DEPOSITS FROM CUSTOMERS

	31/12/2010 VND million	31/12/2009 VND million
<b>Current accounts</b>		
Current accounts in VND	8,437,188	8,175,620
Current accounts in foreign currencies	1,661,068	1,159,661
<b>Term deposits</b>		
Term deposits in VND	56,025,427	37,204,824
Term deposits in foreign currencies	13,081,268	12,252,296
<b>Marginal deposits</b>		
Marginal deposits in VND	704,805	1,587,693
Marginal deposits in foreign currencies	640,997	1,967,306
	<b>80,550,753</b>	<b>62,347,400</b>

Deposits from customers by type of customers were as follows:

	31/12/2010 VND million	31/12/2009 VND million
Economic entities	18,744,743	19,543,720
Individuals	61,806,010	42,803,680
	<b>80,550,753</b>	<b>62,347,400</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 18. OTHER BORROWED AND ENTRUSTED FUNDS

These balances comprise entrusted funds from various entrustors, which bear annual interest rates ranging from 3.0% to 13.5% (2009: 5.5% to 15.5%) during the year.

## 19. VALUABLE PAPERS ISSUED

Valuable papers issued - categorised by term

	<b>31/12/2010</b> <b>VND million</b>	<b>31/12/2009</b> <b>VND million</b>
Up to 12 months	2,370,035	686,565
From 12 months up to 5 years	7,403,559	4,350,000
More than 5 years	2,250,623	-
Convertible bonds issued	3,000,000	-
	<b>15,024,217</b>	<b>5,036,565</b>

## 20. OTHER LIABILITIES

	<b>31/12/2010</b> <b>VND million</b>	<b>31/12/2009</b> <b>VND million</b>
Accrued interest and fee payables	1,378,833	838,657
Other liabilities	1,303,439	1,051,751
• Remittance payables	42,916	41,223
• Payable to employees	58,841	118,209
• Severance allowance	3,674	3,674
• Settlement on behalf of other credit institutions	70,415	40,124
• Payable to suppliers	5	4,789
• Provision for taxation (i)	444,414	306,055
• Deferred income	151,896	120,460
• Advance for loan purchase agreements	-	91,310
• Advance from customers to settle LC	-	122,362
• Other payables	531,278	203,545
Provision for off-balance-sheet commitments (ii)	76,404	72,045
	<b>2,758,676</b>	<b>1,962,453</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## (i) Provision for taxation

	<b>31/12/2010</b> <b>VND million</b>	<b>31/12/2009</b> <b>VND million</b>
Value added tax	25,268	19,675
Corporate income tax	396,874	275,001
Other taxes	22,272	11,379
	<b>444,414</b>	<b>306,055</b>

## (ii) Provision for off-balance sheet commitments

Movements in general provision for off-balance sheet commitments were as follows:

	<b>2010</b> <b>VND million</b>	<b>2009</b> <b>VND million</b>
Balance at 1 January	72,045	34,203
Provision made in the year	4,359	37,842
Balance at 31 December	<b>76,404</b>	<b>72,045</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

	Share capital		Share premium		Other capital		Reserve to supplement capital		Financial reserve		Bonus fund		Welfare funds		Investment and development fund		Retained profits		Total		
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
<b>Balance at 1 January 2009</b>	3,642,015	1,063,402	371	59,513	220,151	2,872	168	473	636,443	5,625,408											
Profits re-invested	636,443	-	-	-	-	-	-	-	(636,443)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to share capital	1,121,959	(1,063,402)	-	(58,557)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	1,700,169	-	-	-	-	-	-	-	-	-	1,700,169	-
Appropriations to equity funds	-	-	-	85,962	162,379	-	1,000	-	-	(249,341)	-	-	-	-	-	-	-	-	-	-	-
Utilisations of reserves	-	-	-	-	-	(719)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,815)	-
Other movements	-	-	-	-	-	-	-	-	-	64	-	-	-	-	-	-	-	-	-	64	-
<b>Balance at 1 January 2010</b>	5,400,417	-	371	86,918	382,530	2,153	136	473	1,450,828	7,323,826											
Transfers to share capital	1,531,767	-	-	(1,531,767)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	2,072,755	-	-	-	-	-	-	-	-	-	2,072,755	-
Appropriations to equity funds	-	-	-	1,555,590	200,479	-	5,912	-	-	(1,761,981)	-	-	-	-	-	-	-	-	-	-	-
Utilisations of reserves	-	-	-	-	(3,565)	(443)	(4,419)	-	-	-	-	-	-	-	-	-	-	-	-	(8,427)	-
Other movements	-	-	-	(2,886)	-	-	-	-	-	3,893	-	-	-	-	-	-	-	-	-	1,007	-
<b>Balance at 31 December 2010</b>	6,932,184	-	371	107,855	579,444	1,710	1,629	473	1,765,495	9,386,861											

## 21. CAPITAL AND RESERVES

### Consolidated statement of changes in equity

For the year ended 31 December 2010

Form B05/TCTD-HN

## 21. CAPITAL AND RESERVES (continued)

### Share capital

	31/12/2010		31/12/2009	
	Number of shares	VND million	Number of shares	VND million
<b>Authorised share capital</b>	693,218,371	6,932,184	540,041,671	5,400,417
<b>Issued share capital</b>				
Ordinary shares	693,218,371	6,932,184	540,041,671	5,400,417
<b>Shares in circulation</b>				
Ordinary shares	693,218,371	6,932,184	540,041,671	5,400,417

Nominal value of the Bank's ordinary share is VND10,000. Each share is entitled to one vote at meetings of the Bank. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Techcombank's residual assets.

## 22. NET INTEREST INCOME

	2010 VND million	2009 VND million
<b>Interest and similar income from</b>		
Balances with and loans to credit institutions	3,375,282	1,848,698
Loans and advances to customers	5,594,413	3,836,177
Investments in debt securities	1,964,688	1,197,491
	<b>10,934,383</b>	<b>6,882,366</b>
<b>Interest and similar expenses for</b>		
Deposits from customers	(6,193,981)	(3,966,008)
Borrowings from the SBV and credit institutions	(1,012,822)	(190,020)
Valuable papers issued	(543,231)	(226,518)
	<b>(7,750,034)</b>	<b>(4,382,546)</b>
<b>Net interest income</b>	<b>3,184,349</b>	<b>2,499,820</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 23. NET FEE AND COMMISSION INCOME

	2010 VND million	2009 VND million
<b>Fee and commission income from</b>		
Guarantee services	159,776	85,571
Settlement and cash services	690,557	461,488
Trustee and agency services	2,506	8,814
Consulting services	130,816	33,918
Other services	202,965	150,636
	<b>1,186,620</b>	<b>740,427</b>
<b>Fee and commission expenses for</b>		
Settlement and cash services	(104,821)	(40,951)
Communication charges	(27,912)	(15,405)
Consulting services	(103,162)	(15,920)
Brokerage services	(6,980)	(1,000)
Other services	(13,945)	(26,092)
	<b>(256,820)</b>	<b>(99,368)</b>
<b>Net fee and commission income</b>	<b>929,800</b>	<b>641,059</b>

## 24. NET GAIN/(LOSS) FROM TRADING OF SECURITIES HELD FOR TRADING

	2010 VND million	2009 VND million
Gain from trading of securities held for trading	19,593	96,187
Loss from trading of securities held for trading	(12,593)	(5,352)
Allowance for diminution in the value of securities held for trading	(78,418)	(4)
Reversal of allowance for diminution in the value of securities held for trading	-	59,622
	<b>(71,418)</b>	<b>150,453</b>

## 25. NET GAIN FROM INVESTMENT SECURITIES

	2010 VND million	2009 VND million
Gain from trading of investment securities	171,835	326,955
Loss from trading of investment securities	-	(43,486)
Allowance for diminution in the value of investment securities	(11,500)	-
Reversal of allowance for diminution in the value of investment securities	-	88,696
	<b>160,335</b>	<b>372,165</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## 26. OTHER INCOME

	2010 VND million	2009 VND million
Recovery of bad debts previously written off	240,067	146,781
Others	456,049	49,353
	<b>696,116</b>	<b>196,134</b>

## 27. OPERATING EXPENSES

	2010 VND million	2009 VND million
Salaries and related expenses	754,516	594,340
Publication, marketing and promotion	49,113	94,188
Office and asset rental	298,390	193,048
Depreciation of tangible fixed assets	96,132	70,386
Tax, duties and fees	72,069	35,345
Tools and equipment expenses	112,060	77,497
Telecommunication expenses	29,821	19,069
Expenses for maintenance and repair of assets	49,095	10,734
Other operating expenses	126,553	89,165
	<b>1,587,749</b>	<b>1,183,772</b>

## 28. ALLOWANCE AND PROVISION EXPENSES

	Note	2010 VND million	2009 VND million
General allowance for loans to credit institutions	5	-	2,834
Specific allowance for loans to credit institutions	5	-	6,456
Reversal of allowance for loans to other credit institutions	5	(9,290)	-
General allowance for loans and advances to customers	9	69,779	166,727
Specific allowance for loans and advances to customers	9	654,439	321,940
Reversal of allowance for loans and advances to customers	9	(331,642)	(54,314)
Provision for off-balance-sheet commitments	20	4,359	37,842
		<b>387,645</b>	<b>481,485</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 29. INCOME TAX

### (a) Recognised in the statement of income

	2010 VND million	2009 VND million
<b>Current tax expense</b>		
Current year	672,852	574,390
Under provision in prior years	-	280
	<u>672,852</u>	<u>574,670</u>
<b>Deferred tax income</b>		
Origination of temporary difference	(1,980)	(21,942)
<b>Income tax expense</b>	<u>670,872</u>	<u>552,728</u>

### (b) Reconciliation of effective tax rate

	2010 VND million	2009 VND million
Profit before tax	2,743,627	2,252,897
<i>Adjustments for</i>		
- Tax exempt income	(65,159)	(34,322)
<b>Taxable income</b>	<u>2,678,468</u>	<u>2,218,575</u>
Tax at the Bank's tax rate (25%)	669,616	554,644
Tax incentives	-	(2,196)
Deferred tax assets not recognised	1,256	-
Under provision in prior years	-	280
<b>Total income tax expense</b>	<u>670,872</u>	<u>552,728</u>

### (c) Applicable tax rate

The Bank has an obligation to pay the government CIT at the rate of 25% of taxable profit. The CIT computation is subject of the review and approval of the tax authorities.

## 30. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2010 was based on the profit after tax of VND2,072,755 million (2009: VND1,700,169 million) and a weighted average number of ordinary shares outstanding of 693,218,371 (2009 restated: 693,218,371 shares), calculated as follows:

### (a) Basic earnings per share

#### (i) Net profit after tax

	2010 VND million	2009 VND million
Net profit after tax	<u>2,072,755</u>	<u>1,700,169</u>

For the year ended 31 December 2010

Form B05/TCTD-HN

### (ii) Weighted average number of ordinary shares

	2010	2009 (Restated)
Issued ordinary shares at the beginning of the year	540,041,671	364,201,471
Effect of bonus shares issued in 2009	-	175,840,200
Weighted average number of ordinary shares for the year ended 31 December 2009 (audited)	540,041,671	540,041,671
Effect of bonus shares issued in 2010	153,176,700	153,176,700
Weighted average number of ordinary shares for the year ended 31 December	<u>693,218,371</u>	<u>693,218,371</u>

### (iii) Basic earnings per share

	2010 VND	2009 VND (Restated)
Basic earnings per share	<u>2,990</u>	<u>2,453</u>

### (b) Diluted EPS

#### (i) Net profit after tax (diluted)

	2010 VND million	2009 VND million
Net profit after tax (basic)	2,072,755	1,700,169
Net profit after tax (diluted)	<u>2,072,755</u>	<u>1,700,169</u>

#### (ii) Weighted average number of ordinary shares (diluted)

	2010	2009 (Restated)
Weighted average number of ordinary shares (basic)	693,218,371	693,218,371
Effect of convertible bonds	174,536,518	-
Weighted average number of ordinary shares (diluted)	<u>867,754,889</u>	<u>693,218,371</u>

#### (iii) Diluted earnings per share

	2010 VND	2009 VND (Restated)
Diluted earnings per share	<u>2,389</u>	<u>2,453</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 31. CASH AND CASH EQUIVALENTS

	31/12/2010 VND million	31/12/2009 VND million
Cash on hand	1,553,316	1,141,702
Gold on hand	2,762,893	831,355
Balances with the SBV	2,752,951	2,719,744
Balances with credit institutions with original terms of not exceeding three months	33,670,276	16,264,905
	<b>40,739,436</b>	<b>20,957,706</b>

Included in cash and cash equivalents are cash and cash equivalents in currencies other than VND amounting to VND10,762,266 million (31 December 2009: VND6,312,354 million).

## 32. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the normal course of banking business, Techcombank carries out transactions with related parties (shareholders, investee companies of Techcombank, directors and officers of Techcombank, their families and companies of which they are principal owners) who were customers of Techcombank during the year. The terms of these transactions are approved by Techcombank's management.

As at the year-end and during the year, there were the following significant balances and transactions with related parties:

	Balances	
	31/12/2010 VND million	31/12/2009 VND million
Balances with related parties	3,393	17,736
Loans from Techcombank	591,852	594,001
Deposits at the Techcombank	1,399,398	1,079,751
Entrusted funds to Techcombank	986,000	340,000
Valuable papers issued	140,000	340,000

	Transactions	
	31/12/2010 VND million	31/12/2009 VND million
Interest income	23,313	38
Interest expense	59,004	40,675

For the year ended 31 December 2010

Form B05/TCTD-HN

## 33. EMPLOYEE BENEFITS

	2010	2009
Total employees as at 31 December (employees)	7,481	5,548
Average number of employees in the year (employees)	6,515	5,092
Employees' income		
1. Basic salaries (VND million)	639,430	363,981
2. Allowances (VND million)	115,086	247,714
	<b>754,516</b>	<b>611,695</b>
Average annual salary (VND million)	98	71
Average annual income (VND million)	116	120

## 34. OBLIGATIONS TO THE STATE BUDGET

	31/12/2009 VND million	Incurred VND million	Paid VND million	31/12/2010 VND million
Value added tax	19,675	97,592	(91,999)	25,268
Corporate income tax	275,001	675,152	(550,979)	399,174
Other taxes	11,379	70,974	(60,081)	22,272
	<b>306,055</b>	<b>843,718</b>	<b>(703,059)</b>	<b>446,714</b>

## 35. TYPE AND VALUE OF COLLATERALS RECEIVED FROM CUSTOMERS

	31/12/2010 VND million	31/12/2009 VND million
Real estate	60,946,949	34,542,698
Movable assets	53,810,924	35,504,296
Valuable papers	10,873,169	7,829,265
Other secured assets	15,542,215	21,921,402
	<b>141,173,257</b>	<b>99,797,661</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 36. RISK MANAGEMENT DISCLOSURE

This section provides details of Techcombank's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which Techcombank is exposed are credit risk, liquidity risk and market risk.

### (i) Credit risk

Techcombank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, Techcombank attempts to deal with counterparties of good credit standing, and, when appropriate, obtains collateral. Techcombank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, Techcombank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

In measuring credit risk of loan and advances to customers and to other credit institutions, Techcombank adopts guidance provided in Decision No. 493/2005/QD-NHNN dated 22 April 2005 and Decision No. 18/2007/QD-NHNN dated 25 April 2007 of the Governor of the State Bank of Vietnam as described in Note 2(h), 2(i) and 2(j) to the financial statements.

Techcombank manages credit risk by using various tools: development and issuance of internal policies and regulations on credit risk management; development of credit procedures; regular review of credit risk; development of a credit rating system and loan classification; setting up authorisation levels within the credit approval process.

### (ii) Liquidity risk

Liquidity risk arises in the general funding of Techcombank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The following table provides an analysis of the monetary assets and liabilities of Techcombank into relevant maturity groupings based on the remaining period from the balance sheet date to repayment date. In practice, the actual maturity of monetary assets or liabilities may differ from contractual terms based on both verbal agreements between the parties and addenda to the contracts which may exist.

For the year ended 31 December 2010

Form B05/TCTD-HN

## 36. RISK MANAGEMENT DISCLOSURE (continued)

As at 31 December 2010 (VND million)	Overdue less than 3 months	Overdue more than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
<b>Assets</b>								
Cash and gold on hand	-	-	4,316,209	-	-	-	-	4,316,209
Balances with the SBV	-	-	2,752,951	-	-	-	-	2,752,951
Balances with and loans to other credit institutions	-	-	31,067,972	5,759,057	8,487,856	1,516,271	-	46,831,156
Securities held for trading – gross	-	-	258,994	-	307,614	-	-	566,608
Loans and advances to customers – gross	1,230,406	1,398,388	6,396,894	11,291,873	15,431,072	8,075,315	9,103,909	52,927,857
Investment securities – gross	-	-	457,063	777,380	9,589,860	17,014,001	3,218,000	31,056,304
Long term investments	-	-	660	-	-	-	68,985	69,645
Fixed assets	-	-	-	-	-	3,012	1,000,895	1,003,907
Other assets	-	-	3,552,912	4,077,000	3,837,767	-	-	11,467,679
	<b>1,230,406</b>	<b>1,398,388</b>	<b>48,803,655</b>	<b>21,905,310</b>	<b>37,654,169</b>	<b>26,608,599</b>	<b>13,391,789</b>	<b>150,992,316</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	8,091,316	-	-	-	-	8,091,316
Deposits and borrowings from other credit institutions	-	-	14,730,998	4,101,947	7,186,399	954,160	809,610	27,783,114
Deposits from customers	-	-	50,507,192	17,854,894	9,442,145	2,686,608	59,914	80,550,753
Derivatives and other financial liabilities	-	-	49,692	3,754	(558)	-	-	52,888
Other borrowed and entrusted funds	-	-	2,153,536	2,264,485	1,170,172	1,048,667	4,230	6,641,090
Valuable papers issued	-	-	855,034	1,038,496	4,777,651	8,352,404	632	15,024,217
Other liabilities	-	-	532,314	722,451	1,455,345	47,844	722	2,758,676
	-	-	<b>76,920,082</b>	<b>25,986,027</b>	<b>24,031,154</b>	<b>13,089,683</b>	<b>875,108</b>	<b>140,902,054</b>
<b>Net liquidity gap</b>	<b>1,230,406</b>	<b>1,398,388</b>	<b>(28,116,427)</b>	<b>(4,080,717)</b>	<b>13,623,015</b>	<b>13,518,916</b>	<b>12,516,681</b>	<b>10,090,262</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 36. RISK MANAGEMENT DISCLOSURE (continued)

### (iii) Market risks

#### Interest rate risk

Techcombank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

The following tables show Techcombank's assets and liabilities categorised by the contractual re-pricing or maturity date at the balance sheet date.

As at 31 December 2010 (VND million)	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
<b>Assets</b>								
Cash and gold on hand	-	4,316,209	-	-	-	-	-	4,316,209
Balances with the SBV	-	2,752,951	-	-	-	-	-	2,752,951
Balances with and loans to other credit institutions	-	-	26,799,343	9,425,931	6,946,196	3,659,686	-	46,831,156
Securities held for trading - gross	-	379,954	-	-	-	186,654	-	566,608
Loans and advances to customers - gross	1,030,033	-	39,423,140	7,116,044	2,977,314	2,089,160	292,166	52,927,857
Investment securities - gross	-	-	261,500	1,077,380	3,395,505	13,414,919	12,907,000	31,056,304
Long term investments	-	69,645	-	-	-	-	-	69,645
Fixed assets	-	1,003,907	-	-	-	-	-	1,003,907
Other assets	-	618,336	8,995,212	410,126	1,228,980	215,025	-	11,467,679
	<b>1,030,033</b>	<b>9,141,002</b>	<b>75,479,195</b>	<b>18,029,481</b>	<b>14,547,995</b>	<b>19,565,444</b>	<b>13,199,166</b>	<b>150,992,316</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	8,091,316	-	-	-	-	8,091,316
Deposits and borrowings from other credit institutions	-	-	20,564,859	1,314,970	2,348,462	2,562,186	992,637	27,783,114
Deposits from customers	-	-	56,501,005	15,657,865	4,667,202	3,724,681	-	80,550,753
Derivatives and other financial liabilities	-	52,888	-	-	-	-	-	52,888
Other borrowed and entrusted funds	-	-	2,153,536	2,264,485	1,170,172	139,241	913,656	6,641,090
Valuable papers issued	-	-	855,034	1,038,496	4,777,651	3,852,403	4,500,633	15,024,217
Other liabilities	-	2,605,914	-	-	-	-	152,762	2,758,676
	<b>1,030,033</b>	<b>6,482,200</b>	<b>88,165,750</b>	<b>20,275,816</b>	<b>12,963,487</b>	<b>10,278,511</b>	<b>6,559,688</b>	<b>140,902,054</b>
<b>Interest sensitivity gap of balance sheet items</b>			<b>(12,686,555)</b>	<b>(2,246,335)</b>	<b>1,584,508</b>	<b>9,286,933</b>	<b>6,639,478</b>	<b>10,090,262</b>
<b>Interest sensitivity gap of off-balance sheet items</b>								
<b>Total interest sensitivity gap</b>	<b>1,030,033</b>	<b>6,482,200</b>	<b>(12,686,555)</b>	<b>(2,496,335)</b>	<b>1,584,508</b>	<b>9,286,933</b>	<b>6,639,478</b>	<b>10,090,262</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## 36. RISK MANAGEMENT DISCLOSURE (continued)

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Techcombank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which Techcombank transacts is VND. Techcombank's loans and advances were mainly denominated in VND with the remainder mainly in USD. However, some of Techcombank's other assets are in currencies other than the reporting currency and USD. Techcombank'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.

As at 31 December 2010 (VND million)	VND	USD	EUR	Gold	Other currencies	Total
<b>Assets</b>						
Cash and gold on hand	1,257,998	233,759	54,600	2,762,893	6,959	4,316,209
Balances with the SBV	2,131,347	621,604	-	-	-	2,752,951
Balances with and loans to other credit institutions	33,335,723	12,277,412	1,134,668	-	83,353	46,831,156
Securities held for trading - gross	566,608	-	-	-	-	566,608
Loans and advances to customers - gross	41,015,338	11,350,600	417,606	-	144,313	52,927,857
Investment securities - gross	28,879,124	2,177,180	-	-	-	31,056,304
Long - term investment	69,645	-	-	-	-	69,645
Fixed assets	1,003,907	-	-	-	-	1,003,907
Other assets	11,304,603	159,757	1,818	-	1,501	11,467,679
	<b>119,564,293</b>	<b>26,820,312</b>	<b>1,608,692</b>	<b>2,762,893</b>	<b>236,126</b>	<b>150,992,316</b>
<b>Liabilities</b>						
Amounts due to the Government and the SBV	8,091,316	-	-	-	-	8,091,316
Deposits and borrowings from other credit institutions	14,283,902	12,069,170	850,269	516,672	63,101	27,783,114
Deposits from customers	65,167,420	14,398,308	910,956	7	74,062	80,550,753
Derivatives and other financial liabilities	560,195	(364,151)	(143,156)	-	-	52,888
Other borrowed and entrusted funds	5,756,161	884,929	-	-	-	6,641,090
Valuable papers issued	11,049,377	1,798,540	-	2,176,300	-	15,024,217
Other liabilities	2,628,366	122,387	2,982	3,385	1,556	2,758,676
	<b>107,536,737</b>	<b>28,909,183</b>	<b>1,621,051</b>	<b>2,696,364</b>	<b>138,719</b>	<b>140,902,054</b>
<b>FX position on balance sheet</b>	<b>12,027,556</b>	<b>(2,088,871)</b>	<b>(12,359)</b>	<b>66,529</b>	<b>97,407</b>	<b>10,090,262</b>
<b>FX position off-balance sheet</b>	<b>(1,472,395)</b>	<b>1,427,330</b>	<b>36,080</b>	<b>-</b>	<b>(30,240)</b>	<b>(39,225)</b>
<b>Total FX position on and off-balance sheet</b>	<b>10,555,161</b>	<b>(661,541)</b>	<b>23,721</b>	<b>66,529</b>	<b>67,167</b>	<b>10,051,037</b>

As of the date of these financial statements (7 March 2011), the exchange rate of Vietnam Dong against United States Dollar has been depreciated by 9.1% (from VND18,932/USD1 as of 31 December 2010 to VND20,658/USD1).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

Form B05/TCTD-HN

## 37. FUTURE COMMODITY CONTRACTS

Techcombank acts as a broker for its customers in entering into the futures commodity contracts.

As at 31 December 2010

Nominal value by markets	Buying VND million	Selling VND million	Net VND million
London Coffee Exchange and New York Board of Exchange	-	-	-
Chicago Board of Exchange	1,352	127,171	(125,819)
London Metal Exchange	-	1,568,898	(1,568,898)
London International Financial Futures and Options Exchange	151,668	240,328	(88,660)
New York Board of Trade	20,789	207,384	(186,595)
London Metal Exchange	1,566,546	-	1,566,546
Commodity Exchange, Inc	-	83,538	(83,538)
Tocom Japan	22,768	6,823	15,945
	<b>1,763,123</b>	<b>2,234,142</b>	<b>(471,019)</b>

As at 31 December 2009

Nominal value by markets	Buying VND million	Selling VND million	Net VND million
London Coffee Exchange and New York Board of Exchange	1,461,310	17,847	1,443,463
Chicago Board of Exchange	-	6,810	(6,810)
London Metal Exchange	3,186,742	3,321,301	(134,559)
Tocom Japan	-	4,141	(4,141)
	<b>4,648,052</b>	<b>3,350,099</b>	<b>1,297,953</b>

For the year ended 31 December 2010

Form B05/TCTD-HN

## 38. COMMITMENTS

### (i) Capital expenditure

As at 31 December 2010, the Bank had no outstanding capital commitments. As at 31 December 2009, the Bank had the following outstanding capital commitments approved but not provided for in the consolidated balance sheet:

	31/12/2010 VND million	31/12/2009 VND million
Approved and contracted	-	361,852

### (ii) Leases

The minimum lease payments under operating leases commitments are as follows:

	31/12/2010 VND million	31/12/2009 VND million
Within 1 year	1,980	110,578
Within 2 and 5 years	164,668	279,972
Over 5 years	266,197	92,539
	<b>432,845</b>	<b>483,089</b>

Approved by:



Bui Thu Trang  
Chief Accountant  
8 Mar 2011



NGÂN HÀNG  
THƯƠNG MẠI CỔ PHẦN  
KỸ THƯƠNG  
VIỆT NAM  
HOÀN KIỂM - T

Nguyen Duc Vinh  
Chief Executive Officer



Expanding Network to serve  
**Customers' interest**

**EXPERIENCING THE CONVENIENCE**

Besides developing its branch network, Techcombank will focus on developing e-channels solutions and e-commerce platforms to allow customers to experience the convenience and access the differentiated services of Techcombank.



# BRANCH NETWORK

AS OF 31/12/2010 (OPERATIONAL)



No	Province/city	Number
1	An Giang	2
2	Bac Giang	2
3	Bac Ninh	5
4	Binh Dinh	1
5	Binh Duong	4
6	Ca Mau	1
7	Can Tho	4
8	Da Nang	10
9	Dak Lak	2
10	Dong Nai	6
11	Dong Thap	1
12	Gia Lai	1
<b>13</b>	<b>Hanoi</b>	<b>82</b>
14	Ha Tinh	2
15	Hai Duong	3
16	Hai Phong	9
17	Hue	3
18	Hung Yen	3
19	Khanh Hoa	5
20	Kien Giang	1
21	Lao Cai	3
22	Lang Son	3
23	Lam Dong	1
24	Long An	1
25	Nam Dinh	2
26	Ninh Binh	1
27	Nghe An	4
28	Quang Nam	3
29	Quang Ngai	2
30	Quang Ninh	5
31	Phu Tho	3
<b>32</b>	<b>Ho Chi Minh City</b>	<b>88</b>
33	Tay Ninh	1
34	Thanh Hoa	2
35	Thai Binh	1
36	Thai Nguyen	4
37	Tien Giang	1
38	Vinh Long	1
39	Vinh Phuc	4
40	Vung Tau	5
<b>Total</b>		<b>282</b>

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[https://www.techcombank.com.vn/Desktop.aspx/Investors/Shareholder\\_Notice/Shareholder\\_Notice](https://www.techcombank.com.vn/Desktop.aspx/Investors/Shareholder_Notice/Shareholder_Notice)

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