

Special Advertising Section

VIETNAM



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Banking on Farmers to Do More Than Farm

By Bich Chau

If you find yourself walking down Lang Ha Street in Hanoi, you will likely find it difficult not to notice two imposing buildings with tinted glass: the U.S. Embassy and the Agribank building. Together, they symbolize Vietnam's past and future. The Embassy building represents the U.S., the most developed industrial country in the world. At the same time, the Agri-bank building represents the largest bank in Vietnam, where more than 10 million rural households do their banking. Agribank is the largest of Vietnam's "five giant" commercial banks, both in terms of total assets and customer base.

"It's very interesting, our history of serving farmers," says Agribank's CEO Nguyen The Binh, "because farmers are really just the tip of the iceberg. Many farmers have become wealthy business owners spearheading companies of all sizes. Looking to the future, it's those entrepreneurs who are starting new companies — agricultural and otherwise — who are, and will be, our strategic customers."

Since the Enterprise Law was enacted in 1999, more than 200,000 private businesses have been started in Vietnam. Collectively, these companies contribute more than one third of Vietnam's GDP, and one in 10 (approximately 20,000) of these businesses are Agribank customers. In this fast-growing economy of 85 million people, Agribank is anticipating a continued influx of farmers transitioning to other types of businesses and in need of banking services.

Banks in Vietnam are rapidly expanding to fill the demand, from private and government-owned Vietnamese banks to an increasing number of foreign banks. The opening of Vietnam's market to foreign investment, in conjunction with its participation in the WTO, makes Vietnam a competitive and opportunistic environment for foreign banks that are



Nguyen The Binh, CEO of Agribank
Photo: Le Tien Dat

looking to spur growth and profitability.

During President Triet's visit to the U.S. this week, Agribank will sign an enterprise agreement with Microsoft to buy full rights to use 12,000 Microsoft® Office 2007 standard licenses. Additionally, Agribank expects to finalize an agreement with the University of Hawaii for human resources development and training, and move forward with partnering several foreign banks including Wachovia (U.S.), Standard Chartered (U.K.) and RZB (Austria).

"The key parts of our game plan from now to 2008 are to modernize the technical infrastructure, diversify services and privatize in Vietnam," says Binh. "After that, we expect to find ourselves playing on a bigger field, better prepared to compete for bigger business."

Vietnam: Asia's Newest Star Rises

By Nguyen Viet Ai and Le Hai Binh

When Nguyen Minh Triet, President of Vietnam, arrived in New York City this week for his first state visit to the U.S., an exciting chapter in Vietnam's history began. Since U.S.-Vietnam diplomacy was restored in 1995, the Southeast Asian country has rapidly made great strides in tourism, trade and industry, and as a partner in the global arena. In 2000, the U.S. and Vietnam signed a bilateral trade agreement, followed in 2006 with the signing of a World Trade Organization (WTO) agreement. The country has opened its doors to foreign investment, becoming a home-away-from-home for corporations such as Boeing, Intel, Lockheed Martin and ConocoPhillips. At the same time, the U.S. has become Vietnam's top export market for seafood, furniture and textiles.

The transition from a war-torn past to rising economic star accelerated in the mid-1980s, when the Vietnamese government made a long-term commitment to increased economic liberalization, and enacted structural reforms needed to modernize the economy and produce more competitive, export-driven industries. For the past 15 years, Vietnam and the U.S. have joined on a path of partnership. From strengthening economic ties to developing new strategic partnerships to full cooperation in fighting terrorism, Vietnam and the U.S. are working together to achieve a mutually beneficial future.

Vietnam is showing an impressive rate of economic growth, attracting record levels of direct foreign investment. It is now among the world's top exporters of rice, coffee and pepper. Vietnam is a rising diplomatic power as well, successfully hosting the Asia-Pacific Economic Cooperation (APEC) Leaders' Summit in November of 2006, becoming a member of the WTO, and expanding its important role in the Association of Southeast Asian Nations (ASEAN).

Fighting Spirit Spurs Foreign Investment

In addition to Vietnam's economic and diplomatic achievements, there is an arguably more powerful asset: its thousand-year culture. Today, there is global awareness not just of Vietnam's military heritage, but also about *ao dai* (women's long dress), *pho* (noodle), *non* (women's conical hat) and the Vietnamese martial arts.

[Vietnam] has quickly become a prime beneficiary of foreign investment by U.S. companies, a result of favorable governmental policies, a well-educated workforce and concern about China's rising costs.

Martial arts are a special and traditional aspect of Vietnamese culture. The long history of fighting against foreign invaders built a firm base for martial arts to take root and blossom in Vietnam through different periods in its difficult journey to the present day. Martial arts help Vietnamese be more confident in a new and strange Western world. Vietnamese martial arts have gone far beyond its physical borders, reaching almost every continent. This is especially true in the U.S., where virtually every Vietnamese community has its own martial arts club, attracting Vietnamese and Americans alike.

Perhaps this fighting spirit is part of the reason why Vietnam has attracted more than US\$10.2 billion in foreign investment projects in 2006. The country has quickly become a prime beneficiary of foreign investment by U.S. companies, a result of favorable governmental policies, a well-educated workforce and concern about China's rising costs. These companies view Vietnam as a vital and viable alternative for establishing manufacturing and distribution centers, primarily for export. Recent investments include Intel's US\$1 billion project in Ho Chi Minh City. Other high-tech investments, in addition to prospective Intel suppliers, are fast on its heels.

Focused on the Future

As Vietnam becomes more popular as an exotic and attractive destination for American travelers, the world is getting to know a people of great dynamism with a great cultural heritage. Influenced by Chinese and French culture, the Vietnamese have maintained a strong sense of their own uniqueness while embracing new outside influences. Vietnam's natural beauty is a stunning and powerful attraction that lures both adventure seekers and business people. From the Mekong Delta to the coastline of central Vietnam, from the rugged mountains of the north to Halong Bay, Vietnam's beauty inspires.

It is a nation of captivating diversity. North to south, one will find "authentic" Asia: the fertile plains of the Mekong Delta, majestic mountains in the north, classical pagodas and temples, bustling cities and street markets, and the faded elegance of the French colonial era. Visitors encounter a nation rich in culture, tradition and history, and people with a refreshing warmth and friendliness unequalled in Southeast Asia. It is a people who have successfully put the war-torn past behind them and are clearly focused on a bright and prosperous future.

"The Vietnamese government's tax incentives are among the best in Asia, and companies recognize the financial impact these incentives will have to their bottom-line revenue."

— W. CHARLES BLOCKER JR.
Senior VP, Gannon International
Managing Director, The Gannon Pacific Company

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Powerful Incentives for Foreign Investment

During war time, victory was defined by the Vietnamese as national independence and unification. In the three decades since the war's end, the results of the country's successful independence and unification have, in turn, provided economic opportunities for the U.S.

While there are many factors foreign investors should consider, Vietnam offers significant incentives in five fundamental areas:

- **Labor Rates and Workforce**

Compared with many of its Asian neighbors, Vietnam has a relatively inexpensive labor rate. The workforce is well-educated, motivated, and a growing percentage speak English as a second language. Vietnam has a 48-hour work week and the government-mandated social programs are approximately 25% of salary costs.

- **Tax Incentives**

In terms of economic development, Vietnam is now where China was 10-12 years ago. Policy makers in Hanoi have learned valuable lessons from the Chinese model. The government has implemented an aggressive program of corporate income tax incentives, involving up to four years of tax holiday following (and including) the first year of "carried forward" profitability. Thereafter, the tax rate is half of the nominal tax rate for a period of up to seven years, with a total application period of up to 15 years. "The Vietnamese government's tax incentives are among the best in Asia and companies recognize the financial impact these incentives will have to their bottom-line revenue," says W. Charles Blocker Jr., senior vice president and director of corporate finance for Gannon International and a managing director of The Gannon Pacific Company.

- **Infrastructure Development**

Vietnam's infrastructure is quickly developing to meet this new influx of direct foreign investment. The Vietnamese government is committed to creating a supportive infrastructure for business, especially in key areas such as electricity and water supply, seaport services and telecom. Bilateral lenders and grants continue to be plentiful. Over the past two years, Vietnam has invested some 10% of GDP into its infrastructure. By 2012, Vietnam will have completed a major logistical milestone via deep water ports and surface transport, enabling Vietnam to further support supply chain initiatives and exports to ASEAN, China and North America.

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- **Intellectual Property and Legal Infrastructure**

In addition to meeting intellectual property and legal requirements for WTO admission, the Vietnamese government has taken steps to protect intellectual property and enacted laws providing specific protection for investors. The judicial system of laws affecting foreign investment has continued to see improvement, creating a more transparent and open legal framework for investment activities. In 2006, the government issued decrees to guide the implementation of the Investment Law and the Procurement Law.

- **Availability of Low-Cost Manufacturing Facilities**

Vietnam has developed a significant number of business parks, with lease rates for land averaging US\$20-25 per square meter.

Vietnam and the U.S.: The Path of Partnership

- **December 14, 1992:** U.S. companies open representative offices in Vietnam once the U.S. trade embargo is lifted.
- **July 2, 1993:** President Clinton authorizes the International Monetary Fund to refinance Vietnam's foreign debt (\$140 million), clearing the way for Vietnam to receive international financial aid.
- **September 14, 1993:** Clinton allows U.S. firms to take part in development projects financed by international institutions in Vietnam.
- **February 3, 1994:** The trade embargo against Vietnam is lifted, a week after it is approved by the Senate.
- **July 11, 1995:** Clinton and Prime Minister Vo Van Kiet announce the establishment of diplomatic relations between the U.S. and Vietnam.
- **January 1999:** Vietnam unilaterally grants most-favored-nation trading status to American companies working in Vietnam.
- **November 16-19, 2000:** Clinton pays an official visit to Vietnam.
- **October 18, 2001:** President George W. Bush ratifies Bilateral Trade Agreement.
- **November 9-12, 2003:** Defense Minister Pham Van Tra visits the U.S.
- **June 23, 2004:** Bush designates Vietnam as a new recipient for the \$15 million plan to combat AIDS.
- **December 9, 2004:** United Airlines launches the first direct service between the U.S. and Vietnam.
- **June 19-25, 2005:** Prime Minister Phan Van Khai visits the U.S.
- **May 31, 2006:** Signing of bilateral agreement on Vietnam's accession to the WTO.
- **November 17-20, 2006:** George W. Bush visits Vietnam.
- **December 8, 2006:** U.S. House of Representatives approves Permanent Normal Trade Relations (PNTR) status for Vietnam. On December 9, 2006, the bill is passed in the Senate.

Microsoft and Vietnam Government Forge Anti-Piracy Agreement

By Thanh Nien News

Microsoft Corporation CEO Steve Ballmer was in Hanoi last month to witness the signing of an agreement in which the Vietnam government committed to use licensed Microsoft® Office System software throughout all government offices in an effort to curb piracy. "I see a prosperous future ahead for Vietnam, and the country is doing the right thing by looking now at how it can foster a healthy local software ecosystem, which will help advance the country's economic development," Ballmer says. In an online chat in May, hosted by the Web-based newspaper, Vietnamnet, Ballmer adds: "The Vietnamese government has acted to ensure that the state sector benefits fully from licensed software, and its leadership in this area also serves as a good example for the overall IPR environment."

"The agreement demonstrates the very strong commitment by the government of Vietnam to protect intellectual property rights," Prime Minister Nguyen Tan Dung told Ballmer before the signing ceremony. Vietnam's Ministry of Finance was the first government agency to sign the Microsoft Office licensing agreement during a visit by company chairman Bill Gates last year.

The U.S.-based Business Software Alliance hails the licensing agreement, saying it demonstrates how the government is serious about protecting intellectual property rights and reducing piracy. Jeffrey Hardee, the Alliance's Asia Pacific regional director, expects this to make a real dent in the problem. "We anticipate that the Vietnam government licensing agreement of desktops could reduce the overall piracy rate in Vietnam significantly next year," he says.

Local information technology developers say Ballmer's visit will be another boost to the country's information technology industry, following Gates' visit and the construction launch of Intel Corp.'s \$1 billion semiconductor plant in southern Vietnam last month.

"The whole world sees Vietnam as a new destination for information technology," said Truong Gia Binh, president and CEO of FPT Corp., Vietnam's leading IT company. "We expect this trend to continue after the visit."

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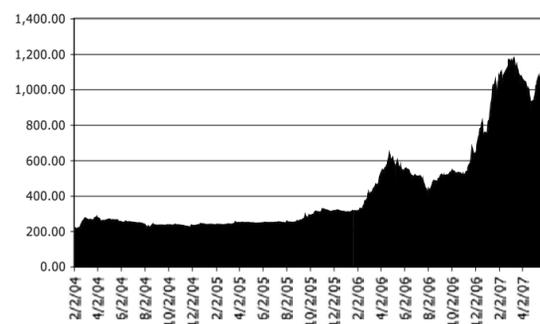
Vietnamese Stock Exchange Shows Strong Performance; Attracts Foreign Speculation

By Nguyen Quang A and Hai Ly

At the 2006 APEC Leaders' Summit, President George W. Bush described Vietnam as a young tiger. The description is apt. During the past year, the tiger has roared, as the Vietnamese stock market has grown by leaps and bounds. And this tiger is continuing to get stronger and more mature.

Established in 2000, the Ho Chi Minh Stock Exchange (HSE) is an intriguing window into Vietnam's burgeoning economy. In its first four years of existence, through March of 2004, the market only traded on alternate days. The VN-Index, a capitalization-weighted index of all companies listed on the HSE with a base value of 100 (as of July 28, 2000), has been recorded systematically since February 2004 at a base value of 200 points. As illustrated in the chart below, the performance of the VN-Index from February 1, 2004 to May 29, 2007 has been impressive.

VN-Index Highlights: 2004 - 2007



(Source: State Securities Commission of Vietnam)

A New Paradigm for a Market Economy

The market has been the hot topic in and around Vietnam, with newly opened stock-trading accounts numbering in the hundreds of thousands. Securities training centers are packed, with large numbers of students getting in line to register. Vietnam's major newspapers are running columns and special pages devoted to securities for the first time. Terminology such as market capitalization, IPO, OTC, PE, EPS, "bull market" and "bear market" have entered the Vietnamese lexicon. Total market capitalization reached approximately 37% of GDP, with foreign investors a considerable part of the market.

The development of Vietnam's stock market is a definitive turning point for the Vietnamese economy, from a centrally planned economy into a market economy. It has become a dynamic catalyst for the development of the country's broad-scale entrepreneurialism, providing new and effective channels to raise capital, drive growth in the private sector, and facilitate the privatization of state-owned enterprises. Yet, with rapid growth come inevitable growing pains. Securities regulation is catching up with the stock market's size and volume, while domestic investors are gaining experience with the day-to-day practices and larger cycles of a stock market.

The Vietnamese are learning from their own successes and failures. Gradually, investors have come to realize that financial markets in general — and the stock market in particular — are inherently dynamic. As a result, investors are learning the value of diversification and risk-management strategies.

State-Owned Enterprises Go Public

The government-led State Securities Commission has transformed into an independent regulator of the market ensuring that training, correction and adjustments are swiftly addressed and implemented. Following international best practices, the government has set up an increasingly sophisticated legal framework for the operation of the market.

During the past year, the Vietnamese government has announced that it will not intervene in the market with administrative measures. However, using economic measures — such as allowing state-owned enterprises PetroVietnam, Vietnam Airlines, BaoViet insurance, Vietcombank and other state-owned banks to go public — the government of Vietnam can influence the market during its initial stages. Aside from two sporadic jumps, the market went through two major adjustments, the latest one in the last several months.

With regulations increasingly being improved, and plans to let more state-owned enterprises (especially insurance and banking companies) participate, the Vietnamese stock market is a highly attractive opportunity for both individual and foreign institutional investment.

Banking Comes of Age: Technology, Services, Alliances

By Thanh Nien News

Vietnam's inherent assets — 85 million hard-working, motivated citizens, its natural beauty and resources, 1,000 years of culture and central location in Southeast Asia — have paved the way for rapid development. And few sectors are as fast-growing, or provide as much opportunity, as the retail banking market.

Less than half of Vietnamese consumers have bank accounts, making the opportunity a large and lucrative one for those financial companies looking to get a foothold in this burgeoning market. According to the State Bank of Vietnam's banking strategy department, the revenue from retail banking makes up only 6% to 12% of the total earnings of Vietnamese banks. However, among more developed banks, this ratio is much more substantial.

Ensuring the increasing acceptance of retail banking in Vietnam is the continuing economic expansion, along with development of the legal environment and financial infrastructure. With improved living standards and higher income, Vietnamese consume more, and sophisticated banking products are likely to accelerate this uptick in consumption. The State Bank of Vietnam has received applications from 10 foreign banks to form subsidiaries in Vietnam. Meanwhile, foreign bank branches operating in Vietnam, such as HSBC, ANZ and Standard Chartered, are making efforts to broaden penetration of the market by easing the requirements for consumer borrowing. The goal: to widen their customer base and attract more clients.

Overseas Banks Make Inroads

HSBC is considering the establishment of a 100% foreign-owned subsidiary in Vietnam. The bank announced plans to open between five and 10 branches over the next few years. It offers consumer credit to meet the demand for buying cars, houses and items of personal consumption. The London-based bank has lowered the income requirement for borrowers to a minimum of US\$187 a month from US\$500-625 a month, and offers credit equivalent to as much as 10 times the income of the borrower. Not surprising, these incentives helped to win bank customers. By December 2006, individual customers at the bank had increased 518%, and lending increased by 482%, compared with six months prior.

Foreign banks are penetrating retail banking by becoming stakeholders in local commercial banks, considered to be the quickest way to infiltrate the market.

ANZ bought a 10% stake in Sacombank, a commercial joint-stock bank with an extensive network in Vietnam. The Australian bank was the first foreign bank to install ATMs and to introduce electronic banking services to local customers. It is finalizing a card joint venture with Sacombank to expand the ATM network nationally, a move to attract more customers to its card services.

Foreign banks are penetrating retail banking by becoming stakeholders in local commercial banks, considered to be the quickest way to infiltrate the market. Under current regulations, a foreign bank branch must have capital of at least US\$15 million, and a fully foreign-owned bank must have capital of at least US\$75 million, in addition to meeting other requirements. To date, HSBC has bought a stake in Techcombank, ANZ in Sacombank, Standard Chartered in Asia Commercial Bank (ACB), Overseas Chinese Banking Corporation (OCBC) in VP Bank, Deutsche Bank in Hanoi Housing Bank (Habubank), United Overseas Bank in Southern Bank, and BNP Paribas in Orient Bank. Some banks intend to buy more stakes, given the Vietnamese government's recent decision to allow foreign investors to hold a 15% stake in local commercial banks, up from 10% as previously regulated.

Financial Partnerships Strengthen Local Banking

Banks are making large-scale investments in technology to deliver state-of-the-art banking services. Sacombank, Habubank, HCM City Housing Development Bank, Viet A Bank and G-Bank have invested millions of dollars in developing their core banking systems. VIB Bank has developed a multi-purpose banking system provided by System Access of Singapore.

Local banks are also seeking to increase their financial strength. Sacombank plans to raise capital to US\$277 million from US\$130 million by issuing more shares. ACB is mobilizing funds from different sources, including issuing convertible bonds and shares, to raise capital to US\$164 million from US\$68 million. VIB Bank plans to increase capital to US\$149 million from US\$62 million and Vietnam Eximbank to US\$174 million from US\$75 million.

Besides joining forces with foreign partners, indigenous banks are forging strategic deals with large local businesses, such as the alliance between Bank for Investment and Development of Vietnam (BIDV) and Vietnam Post and Telecommunications Group. Other partnerships include Vietnam Eximbank with Kinh Do Corp., Vietnam Bank for Agriculture and Rural Development (Agribank) with FPT, Saigon Hanoi Bank with Vietnam Coal and Mineral Industries Group and Vietnam Rubber Group, G-Bank with PetroVietnam Group, and Military Bank with Lilama.

Expansion for the Future

The Bank for Agriculture and Rural Development has completed all necessary steps to turn itself into a multi-ownership financial group. Agribank is planning to become a holding firm with at least 11 subordinate joint-stock companies that will operate in the fields of insurance, securities, finance leasing, trade services, financial investment, real estate and jewelry trading. To maintain their existing market base and compete successfully in the future, local banks like Agribank are preparing for heightened competition by improving their technology, capital, management, customer database and networks.

An advantage local banks have over foreign banks is their inherent understanding of local culture and practices as well as having an extensive network around the country already in place. It stands to reason that consumers are likely to try a local bank as a point of entry to new banking services, products and technologies. Conversely, foreign banks have an edge in lower interest rates on loans, in addition to strong financial capacity, established experience, good technology and diverse products and services. These are compelling attributes that bode well for successful foreign penetration of the Vietnamese market.

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Golf Resorts Teed Up for Elite Travelers

By Robert Bicknell

Vietnam is no stranger to elite guests; the country has served as host to kings, sultans, prime ministers, three U.S. presidents, the APEC summit, top international CEOs and actress/human rights activist Angelina Jolie. Where dignitaries, celebrities and the world's business leaders converge, great golf facilities are sure to follow.

Just 15 years ago, there were only two golf resorts in Vietnam. Both were under construction: Kings' Island in the north and Song Be Golf Resort in Ho Chi Minh City. Beyond that, golf offerings were limited to mostly six-hole tracks, such as the course in Da Lat where former Emperor Bao Dai was known to have played in days gone by.

Today, Vietnam offers an unmatched environment for world-class golf. There are six courses operating in the north and eight more either planned or under construction. The southern half of the country has seven courses and four more planned or underway. These new projects have attracted some of the top names in golf course design. Ocean Dunes Golf Club in Phan Thiet boasts a five-star Novotel Hotel and a course designed by Nick Faldo, who is known to pop in from time to time. Vietnam Golf & Country Club's East Course in Ho Chi Minh City was designed by Lee Trevino. Jack Nicklaus and Greg Norman are reportedly in negotiations to build courses in the country, too.

Other dramatic courses and clubs include the new 54-hole Dragon Phoenix Club with its breathtaking scenery and elevation changes that challenge even the most experienced golf enthusiast.

For those who enjoy all things exclusive, Van Tri is the country's first ultra-private golf club — Vietnam's answer to Augusta National. The Chi Linh Star course has already been host to two Asian PGA Tour events.

If you've got the kids in tow, Dam Vac Golf & Country Club will be the nation's first real "country club," where the entire family can gather for a weekend of golf, tennis, swimming and enjoying the amenities of the \$4 million clubhouse.

Exotissimo is one of the most experienced luxury tour operators in Vietnam. The company plans to launch the Ho Chi Minh Golf Trail during the second half of 2007, which will take visitors to many of the finest and most exotic courses in the country. To be sure, travelers will soon think of Vietnam as one of the premier golf destinations in the world.



Bank on Agribank Vietnam to Prosper

Many who are impressed by Vietnam's rapid growth call Vietnam "a young tiger."

Agribank takes pride in nurturing the tiger because:

- Agribank has the largest customer base – 10 million households and more than 10% of the private companies.
- Agribank has the most assets, worth US\$18 billion.
- Agribank is the sole bank with presence in all corners of Vietnam – over 2,000 branches nationwide.
- Agribank is expanding international cooperation – five deals worth US\$1.55 billion with Microsoft, Wachovia, Standard Chartered Bank, Hawaii University and RZB will be signed during President Nguyen Minh Triet's visit to New York.
- Agribank is modernizing and diversifying products and services to expand its role as a leading financial group in Vietnam.

Agribank Vietnam is ready to cooperate for its partners' prosperity.

To learn more about Agribank Vietnam, please visit www.agribank.com.vn

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