

SUMMARY OF BUSINESS OPERATION IN 2006

CAPITAL MOBILIZATION

Incombank is a large state-owned commercial bank, with prestige on operation and network nationwide, The Bank has seen increasing trend in fund mobilization. In 2006, to maintain and expand share market, Incombank synchronously implemented active solutions such as flexible management of interest mechanism, active marketing, multi-channeled source of funding, diversified mobilization products with high competition ability, renovation of servicing, improving customer service quality. At the same time, 70 transaction offices with standard design of Incombank tradename were established from upgrading existing offices.

As at 31/12/2006, total mobilization funds were VND 126,624 billion, increased by VND 18,019 billion compared to 2005 equivalent to 16.6%, with share market of 13.5% of whole banking system. In which, VND funds reached VND 104,805 billion, increased by VND 13,626 billion, equivalent to 15% and held 83% of total mobilization funds. Mobilization funds in foreign currencies reached VND 21,819 billion, increased by VND 4,393 billion equivalent to 25.2%.

Structure of deposits from customers:

(i) Deposits from enterprises was VND 44,879 billion, making up 45% and increased by 16.1% compared to 2005. Deposits from enterprises increased partly because the equitization of the state-owned enterprises has brought capital surplus which is not yet invested in business but is temporarily deposited in bank.

(ii) Deposits from residents was VND 52,773 billion, making up 41.7% of mobilization funds and increased by 18.8% compared to 2005. Of which, long term savings deposits was VND 44,595 billion, making up 44.7% and increased by 13.3% compared to the prior year. Issuance of debts with balance of VND 8,178 billion, making up 8.2% and increased by 61.7% compared to 2005. This is a proof that Incombank has continuously diversified products of fund mobilization with various facilities which meet the demand and tastes of depositors.

Unit: Billion dong

Items	Year 2006	Year 2005
(i) Deposits from SOEs:	44,879	38,667
of which: - VND	41,368	36,544
(ii) Deposits from residents	52,773	44,428
of which -Saving deposits	44,595	39,370
in VND:	32,172	27,492
-Issuance debts	8,178	5,058
in VND:	4,715	4,378

Term structure has moved toward more sustainable orientation, demand deposits reduced 12.8% compared to 2005, at the same time term deposits increased 32.9%. Special attention was paid to medium and long term deposit (over 1 year) which was 30.7% in 2006, higher than level of 26.2% of 2005. In 2006, Incombank successfully implemented three campaigns of long term deposits certificates and bills and was able to mobilized VND 7,385 billion and

USD 254 million. Funding from inter-bank market was VND 26,941 billion, increased by 11.2% compared to 2005 and made up 21.3% of total mobilization fund.

Unit: Billion dong

Items	Year 2006	Year 2005
Term deposits	24,342	27,906
in VND	22,000	26,094
Demand deposits (including PH debts)	73,337	55,194
in VND	56,282	42,326

Reasonable growth rate and funding structure affirmed the diversification trend of funding products of Incombank, meeting the requirement of depositors and the increasing demands of the market.

LOANS

Loans to the economy as at 31/12/2006 reached VND 80,152 billion, increased VND 5,520 billion compared to 2005, increased 7.4% and up to now share market of Incombank was 12% of all banking system. Loans in VND was VND 66,997 billion, increased VND 4,530 compared to the beginning of the year, equivalent to 7.3%. Loans in foreign currencies was VND 13,155 billion equivalent, increased VND 990 billion (8.1%) compared to the beginning of the year. Medium and long term loans accounted for 39.7% of total outstanding loans.

Unit: Billion dong

Items	Year 2006	Year 2005
Short tem loan	47,329	43,818
in VND	40,857	37,839
Medium, long term loan (including debts CTTC)	31,388	29,683
in VND	24,776	23,568
Leasing (VND)	625	577
Other loans	810	554
	80,152	74,632

In 2006, Incombank appraised and granted credits to 23 big projects with the total committed amount of VND10,858 billion. The bank has acted as lead arranger of co-financing projects, making important contributions to the national economic development such as Vinasat Telecommunication Satellite Project with the total investment amount of USD108 million., Bim Son Cement Project with the total investment amount of VND4,000 billion., 05 big hydropower projects of Vietnam Electricity Corporation, etc.; During the year, Incombank has been the lender for 83 co-financing projects with the total outstanding amount of nearly VND10,000 billion, typically Son La Hydropower Plant Project, Song Tranh Hydropower Plant Project (invested by Vietnam Electricity Corporation). Especially, Incombank focused on credit investments, signing General Agreements on Cooperation with certain sectors, big corporations such as Vietnam Electricity Corporation, Vietnam Cement Corporation, Vietnam Coal and Mining Group, Post and Telecommunication Corporation, National Vietnam Oil and Gas Group, Southern Food Corporation, Vietnam Steel Corporation, Vinashin Business Group, etc.

Incombank focused its investment funds in key economic sectors such as trade and services, production and processing, construction, electricity production and distribution - energy and gas, transportation, agriculture - forestry and aquaculture with the respective amounts of VND28,370 billion, VND15,118 billion, VND10,729 billion, VND7,891 billion, VND4,723 billion, VND4,068 billion.

Lending structure of the bank was shifted positively in terms of type of enterprises and in accordance with the equitization process of state-owned enterprises (SOEs). As of 31 December 2006, the outstanding loan to SOEs was VND24,599 billion, presenting 30.7% of the total outstanding loan, decreasing 7% compared to the previous year.. The outstanding loan to non-SOEs was VND39,552 billion, increasing 12.4% compared to 2005. Incombank's credit activities gave more focus to active economic sectors such as small and medium enterprises (SMEs), vocational villages, centralized economic zones, consumer banking, etc. Among which loans under internationally funded programs (such as KfW, DEG, SMEDF, JBIC...) reached VND715 billion

In terms of quality, the credit structure was improved to ensure the capital adequacy ratio (CAR) and higher efficiency:

NPL ratio (loans in groups 3,4,5): 1.4% compared to the target of below 4%

Uncollateralized loans: 25.6% compared to the target of below 30%

Loans to SOEs: 30.7% compared to the target of below 40%

Medium and long term loans: 39.7% compared to the target of 40%

Incombank's credit policy were performed on the basis of business mechanism, safety, efficiency, customer credit rating, non-discrimination of economic sectors. Incombank completed, re-issued and issued full set of documentation and mechanism on credit activities, concretized conditions for customer selection, credit granting, loan and guarantee granting procedures, procedures of loan pricing, implemented its business under ISO standards. At present, Incombank has established a sub-committee to revise Incombank's Credit Manual in accordance with actual market conditions, legal framework and new economic policies to secure the credit quality, efficiency and sustainability.

INVESTMENT

In 2006, investment activities of the bank grew both in terms of the scale and quality, increasing by 56.2% compared to the year 2005, making an important contribution to the bank's general performance. Incombank always plays the role as a major financial institution participating actively in the government bond market, supporting the liquidity

in the commercial banking system, ensuring the liquidity stability of the Bank itself in particular and of the banking system in general. There were some new types of investment activities in 2006 which were effective and generated good revenue such as underwriting the issuance of corporate bonds of Vietnam Electricity Corporation (EVN) with the amount of VND1,500 billion, quoting and trading valuable papers on Reuters system, receiving mandate investment funds from local banks to make overseas investments, etc. Procedures of investment activities were supplemented and amended reasonably to control risks. The investment portfolio in the money market and capital market reached VND44,936 billion, accounting for 33.2% of total assets. The investment portfolio structure was as follows:

Investments in securities: Incombank continuously improved its investments in fixed income instruments and became the market maker, fostering the development of the Vietnamese bond market. As of 31 December 2006, the outstanding amount reached VND17,394 billion, holding 38.7% of the total portfolio. The securities investment portfolio was diversified as follows:

(*) Available for sale securities amounting to VND12,148 billion, accounting for 27% of the total investments in securities, increasing 30.3% compared to the year 2005, including government bonds, Treasury bills, Municipal bonds issued by Hanoi People's Committee, bonds issued by Vietnam Development Bank, Vietnam Electricity Corporation, etc.

(*) Held-to-maturity securities amounting to VND5,191 billion, increasing 23.1% compared to the previous year, including Treasury bills, Special Government bonds, Education Government bonds, municipal bonds, bills and certificates of deposits of commercial banks, work bills, bonds issued by Vietnam National Petroleum Corporation, etc.

(*) Investment in valuable papers is a good way to restructure the bank's assets for safety, efficiency and sustainability. Meanwhile, by investing in securities Incombank has made its contributions to the construction of key works of the State, and the development of socio-economic sectors.

Investments in the inter-bank market:

(*) With its strength in funds raising, payment products and services, Incombank is a commercial bank with big business volume in the inter-bank market. Through its business transactions in the market, Incombank has supported payments of other banks and at the same time fulfill payment demands of the economy, especially at fiscal year ends and the time approaching Lunar Tet holidays. As of 31 December 2006, short term investments in the local and international inter-bank markets reached VND27,097 billion, in which VND18,962 billion was invested in the local inter-bank market including VND1,288 billion deposited with Vietnam Bank for Social Policies under the

Governmental regulations for granting loans to social policy targets, joining the hunger elimination and poverty reduction program proposed by the Government.

(*) Incombank has established the correspondent relationship with 800 big banks worldwide which facilitates the bank's investment business development in the international market. As of 31 December 2006, the outstanding balance placed with overseas banks reached VND8,135 billion, increasing twofold compared to 2005.

Foreign exchange: Incombank's foreign currencies position fully meet demands from import-export customers on a timely basis. The total direct trading volume with customers reached USD4.1 billion, increasing by 20% compared to the previous year. Meanwhile, Incombank enhanced its foreign exchange activities both in the local and international inter-bank markets. The total FX dealing turnover in the interbank market reached USD586million, increasing by 50% compared to 2005. FX trading on the international market saw sustainable development with total trading volume in 2006 reaching USD2 billion, up by 5.3% as compared to 2005.

JOINT VENTURES AND SHARE CONTRIBUTIONS

In 2006, capital contribution is joint-ventures and share purchasing was VND445,380 million, up by VND116,243 million or 35.32% compared to 2005.. In the year, joint stock and joint-venture banks which Incombank had contributed capitals to or bought shares from issued shares for increasing charter capitals. Incombank paid VND3,059 million and VND16,098 million for buying shares of Gia Dinh Joint Stock Bank and Sai Gon – Cong Thuong Joint Stock Bank, respectively. The bank also contributed additional VND80,505 (equivalent to USD12.5 mio) to INDOVINA Bank.

Although the outstanding balance of capital contribution and share purchase increased significantly in 2006 (more than threefold compared to that of 2005), return on capital invested ratio was 15.13%, that is 5.13% higher than the average ratio of three years 2003-2005. The important contribution to the mentioned result was the dividend of USD3,000,000 from INDOVINA Bank (the joint-venture bank between Incombank and Cathay United Bank in Taiwan).

In 2006, dividends received from joint-venture companies was 17.14% (compared to 14.8% in 2005). The year 2006 is the second consecutive year for Vietnam International Leasing Company (VILC) – a joint venture between Incombank, KDB Financial Company (Korea), Natexis Bank (France), Aozora Bank (Japan) and Incombank Asia Insurance Limited Company (IAI) – a joint venture between Incombank and Asia Insurance Company (Singapore) to get high profit growth rates which were 43.34% and 115% respectively.

SUBSIDIARIES

Incombank Securities Limited Company

Incombank Securities Limited Company is an Incombank full subsidiary. Established under the Decision No. 126/QĐ-HĐQT-NHCT1 dated 01 September 2000 of Incombank's Board of Directors, the Company has its legal capacity and independent accounting. As of 31 December 2006, the Company's charter capital was VND105 billion. Its main businesses include: Brokerage, securities trading on its own account, underwriting, portfolio management and investment consultancy.

The year 2006 is a successful year in the field of securities in general and for Incombank Securities Limited Company in particular. The Company continued to achieve key successes in the preparation for the equitization and economic integration process. The Company completed its targeted plans with the faster growth rate in key business activities and high business efficiency:

The Company has been prepared all necessary facilities for brokerage activities to execute transactions and better serve the customers. Screens and computers were installed in the customers' area to facilitate investors' information searching. Meanwhile, the Company strengthened its supervision over the order processing to guarantee the safety of the Company's and investors' assets. Compared to 2005, the brokerage transactions turnover of the Company increased by 752.11%, making up 11.9% of the total market transaction value.

During 2006, VN Index increased quickly up to 809.89 point at highest. This was the favorable time for the Company's stock trading business which brought a remarkable profit of VND 12.92 billion which was much higher than that of previous years.

The year 2006 also marked a strong development of the financial consultancy service for enterprises, especially for registration and listing consultancy services which in turn, fostered the development of brokerage activity of the Company. The Company was considered by Hanoi Securities Trading Centre as one of the five leading securities companies rendering consultancy to companies which were successfully listed. The commission from consultancy service of the Company in 2006 was VND 3.7 billion.

Other activities such as portfolio management, underwriting and issuance agents also got encouraging achievements.

Highlighted performance of Incombank Securities Company

Unit: VND million

	2005	2006	Increase (%)
Total assets	608,458	1,172,654	92.72
Revenue from securities trading	52,053	102,857	97.6
ROE (%)	12.21	24.49	100.57

Incombank Leasing Company

Incombank Leasing Company was established in the form of a leasing company belonging to credit institutions with legal capacity and its own independent accounts. The Company was established under the Decision No. 53/1998/QD-NHNN5 dated 26 January 1998 of the Governor of the State Bank of Vietnam.

The scope of activities of the Company are as follows: providing financial leasing services to enterprises established and operating under the Vietnamese laws, directly using properties for legal business purposes; rendering consultancy, guarantees to customers in connection with financial leasing business, etc.

The Company mainly operates in Hanoi, some neighbouring provinces of Hanoi and Ho Chi Minh City. At present, the Company has prepared to apply for opening a branch in Ho Chi Minh City. It is expected that in the coming years, the Company's network will be extended to big cities such as Da Nang, Quang Ninh...

In 2006, the Company restructured its assets as well as improved the appraisal quality, strengthened the control and pushed up debt collection to reduce bad debts and number of customers with bad track record for further development. To ensure a healthy financial situation and well prepare for the Company's equitization process in coming years, the Company has made good practice of debt classification and allocation for risk provision and risk disposal.

As of 31 December 2006, the total lease balance was VND682 billion, increasing by 5.02% compared to the previous year. Debts of groups 3, 4 and 5 reduced gradually during the year to 3.9% of the total lease balance at the year end. The decrease of 12.53% in profit after tax makes its ROE reduce 12.88% compared to 2005. Its capital adequacy ratio (CAR) was 19.06%.

Highlighted performance of Incombank Leasing Company

Unit: VND million

	2005	2006	Increase/Decrease (%)
Total assets	661,760	695,754	5.1
Loans and investments in financial leasing	648,929	681,509	5.02
Equity	105,000	105,000	0
Mobilized funds	99,000	77,000	-22.23
Borrowings	409,300	459,300	12.21
Profit after tax	10,574	9,250	-12.53
Return on Equity (ROE) (%)	10.1	8.8	-12.88

Incombank Asset Management Company

Incombank Asset Management Company was established in September, 2000 under the Decision No. 106/QD-HDQT-NHCT1 dated 10 July 2000 of Incombank's Chairman of the Board of Directors.

In 2006, the Company successfully followed up the plan of receiving and settling properties assigned by Incombank. Basically, the Company achieved targets of taking over collateral under the Epcó-Minh Phung case and from Vietnam Eximbank. The proceeds from collateral disposal was equal to only 87% of the plan but was twice higher compared to the year 2005. This proves great efforts of the Company as well as effective support from the Government, relevant sectors and Incombank's Board of Management in collateral settling up and loans recovery.

BANKING SERVICE DEVELOPMENT

Domestic Money Transfer

With the advantage of nationwide network and technology application, Incombank payment service maintained high growth in 2006, especially bilateral payment service with other financial institutions and interbank electronic payment. Internal payment volume was more than VND 1,000 billion with 4.6 million transactions, increasing by 16% as compared to 2005. Bilateral payment with other financial institutions significantly increased by 52% in terms of volume, to VND 171,000 billion with 662,000 transactions as compared to 2005. Interbank payment increased even more rapidly by 116% up to the volume of VND794 billion with 1.2 million transactions. All payment orders were handled in a timely and accurate manner which satisfied customers' need.

Import-export Payment

Import-export payment volumes increased by 11% as compared to 2005. A team supporting international payment activity was set up in Ho Chi Minh City in 2006 to speed up the transactions. In the near future, Incombank will establish a Processing Center in Hanoi to boost trade finance and import-export payment services. Incombank has finished negotiations with two major Chinese banks namely Industrial and Commercial Bank of China and Agriculture Bank of China to sign cross-border payment agreement expectedly in early 2007.

Incombank prestige in the international market has been strengthened, which was proved by the fact that foreign banks were ready to accept import letters of credit amounting to hundred millions of USD opened by Incombank, to select Incombank as confirming bank for letters of credit opened by other local commercial banks or to issue guarantees against counter-guarantees from foreign banks with increasing number of transactions and volume. Incombank continued to receive the certificates of straight-through processing by foreign banks.

Credit cards and ATM

Incombank continued to rank the second among commercial banks in terms of number of personal cards. In 2006, Incombank issued 400,000 ATM cards, doubling the total number already issued up to 2005; 3,000 credit cards. Incombank ATM network included 400 ATM which are located in branches, transaction offices, densely populated areas, office buildings and universities nationwide. New functions were added to ATM cards to bring more services and convenience to cardholders, i.e. SMS advising account balance, online payment for invoice, credit cards under VND 10 million, cards for women, etc. Merchant network has developed to more than 1,000 and 126 cash withdrawal points. Incombank started providing payment from ATM for telecommunication charges and electricity charges for cardholders. Negotiations are under way for Incombank to become the payment agent of international card organizations such as Diners Club, JCBs, AMEX to attract more volume from cards services and allow banks in the Indochina region to become Incombank's payment agents.

Overseas Remittance and Travelers' Cheque

In 2006, Overseas Remittance set up at Head Office dedicated to remittance from overseas Vietnamese. Incombank has set up and expand cooperation in this areas with major money transfer companies over the world and with major banks in countries where there are Vietnamese people living and working. Together with that, Incombank

deployed various activities of cooperation with labour export companies and competence authority to promote Incombank remittance service for overseas Vietnamese. As year end 2006, Incombank has 134 branches providing this service, particularly number of Western Union express money transfer points increased to more than 400, The volume of overseas remittance made through Incombank reached USD 450 million in 2006, up by 23% as compared to 2005, which helped to maintain the market share of more than 10% in the official remittance service.

Travelers' cheque encashment service continued to develop meeting the demand of foreign tourists in Vietnam. As at year end 2006, foreign tourists could approach 65 points at 41 branches for travelers' cheque encashment service.

INTERNATIONAL BANKING ACTIVITIES

In 2006, Incombank continued to expand correspondent banking networks to more than 800 banks in more than 80 countries. Relationships were consolidated in-depth on the basis of mutual benefits. With the aim to provide best services to clients and on the basis of demand of the market and customers and assessment of the reputation, financial standing, service quality and comparative advantages of foreign banks, Incombank has played an active role in expanding various areas of cooperation with correspondent banks.

Incombank so far maintain regular exchange of information on markets and customers with correspondent banks, which helped to prevent frauds, minimize risks and protect the Bank and its customers.

In July 2006, Incombank successfully hosted the 3rd annual meeting of APEC Financial Institutions dealing with SMEs. The event contributed to enhancing Incombank's reputation and prestige among international financial institutions as well as small and medium-sized enterprises in Vietnam.