



**JOINT STOCK COMMERCIAL BANK FOR
FOREIGN TRADE OF VIETNAM**

Headquarter: 198 Tran Quang Khai Str, Ha Noi
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SOCIALIST REPUBLIC OF VIETNAM

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Ha Noi, April 2nd 2012

**REPORT OF THE BOARD OF DIRECTORS
ON ACTIVITIES DURING 2011 AND PLAN FOR 2012**

I. ACTIVITIES DURING 2011:

1. General Condition:

- In 2011, global economy continued facing with many difficulties: sovereign debt crisis in the US and many European countries, volatile fluctuations of international gold price and value of the USD in relation to other currencies, increasing jobless in many countries, etc.
- Vietnam economy also had to face many problems: low GDP growth rate, higher-than-expected inflation rate, low quality of development and the downgrade of international credit rating of Vietnam. GDP growth rate in 2011 was nearly 5.9% while inflation rate was 18.13%. Many companies were in trouble. Statistical data shows there were 50,000 SMEs closed down their activities, many other big companies and groups were in loss.
- On that common setting, banking industry also had to face many big problems: fierce competition for deposit, high NPL ratio, severe liquidity problem of several banks, volatile fluctuations of interest rate, exchange rate and gold price, and downgrade of credit rating of Vietnam, etc. To stabilize the money market, the State Bank controlled credit growth within a reasonable range, strengthened monitoring and inspection measures to ensure the soundness of banking activities.

2. Missions given by the General Meeting:

In the Annual General Meeting of Shareholders 2011, the General Meeting:

- i. Decided motto for the year 2011 was “**Acceleration - Safety - Effectiveness - Quality**”; main characteristics for operation was “**Flexibly and drastically**” with the following main directions: raising deposit was the main target; closely controlling



credit quality and shifting to the suitable credit structure; continuing completing organizational structure, developing and expanding network; maintaining our position in corporate banking; promoting retail banking activities; strengthening risk management; diversifying income structure; completing the selection process of strategic partner, improving investor relationship activities, etc.

- ii. Decided main targets for the year 2011: asset growth rate 15%, growth rate of raising deposit from the economy 20%, pre-tax profit 5.650 billion VND, NPL ratio under 2.8%, etc.
- iii. Decided salary for the Board of Directors (BOD) and Controllers Committee was 0.28% of after tax profit.
- iv. Additionally elected Ms. Vu Thi Bich Van as a member of Controllers' Committee for the term 2008 - 2013.
- v. Approved amendments of Charter and Operation Certificate of VCB.
- vi. Approved organization and regulation for operation of Board of Directors and Controllers' Committee of VCB.
- vii. Approved Proposal to increase Chartered Capital in 2011 by issuing dividend stocks for the year 2010 (number of additionally issued stocks is 211,050,483 stocks, corresponding to 12% of par value) and separately issued to foreign strategic partner(s) (maximum number allowed was 492,451,128 stocks, price would be negotiated on the basis of consultation with international financial advisors, followed current applicable rules and regulations, protected rights of the Bank and shareholders) and gave authority to BOD to implement related jobs.

3. Evaluation of the result of the designated missions:

Among those common difficulties, VCB has actively, flexibly and drastically adapted to market movements, made the most of its advantages, improved all types of business activities and reached, even surpassed nearly all assigned targets and kept the "***Acceleration - Safety - Effectiveness - Quality***" motto. Detail evaluation for activities is as follows:

i. Business Activities:

- Total asset growth rate was ~19.2% compared to Dec 31, 2010, with total asset was 367 trillion VND. Total deposit from the economy on Dec 31, 2011 was ~ 242 trillion VND, increased by 16% compared to 2010, and met 96.68% of target.



- Consolidated profit for 2011 was 5,697 billion VND, increased by 2.3% compared to 2010, and completed 100.8% of target. NPL ratio was controlled at 2.03%, lower than the assigned target 2.8%.
- Credit growth for 2011 was ~ 18.4%; total received credit at the end of the year was ~ 209 trillion VND, has been controlled under the maximum level 20% regulated by the State Bank.
- Export - Import settlement turnover was 38.8 billion VND, increased by ~ 25.5% compared to 2010, surpassed the target by 10.3%, market share was ~ 19.2%. International card business and domestic debit card business turnovers increased by 30.4% and 173% respectively. Other business sectors also enjoyed considerable growth.

ii. Network Development, Organization and Management:

- Continued improving organizational structure: establishment of Strategic Cooperation Department; newly establishment of 04 branches and 19 offices.
- IT infrastructure has always been considered as one of major factors deciding the competition capability of the Bank. Therefore in 2011, VCB decided to invest into the Core Banking system, centrally processing Trade Finance system, data management and processing system, etc.
- Implemented several new policies and regulations: IT system security regulations, investment regulations, regulations on VCB's representatives to other companies, financial regulations, deposit regulations, and regulations on internal construction project management, etc.

iii. Risk Management:

- VCB has always followed the regulations on prudential ratios in operations of credit institutions by the State Bank;
- Actively improved credit quality, brought NPL ratio down to 2.03% on Dec 31, 2011 which was measured by qualitative approach in credit qualification system, lower than targeted;
- Closely cooperated with Government Inspectors, Bank Monitoring Inspectors, independent auditors... in inspecting its observance of regulations as well as forecasting capability and prevention of risk in operation.

iv. Public Relation Activities, IR, Mass Communication, and Re-definition of brand name:

- In 2011, VCB actively participated in Public Relation activities, advertising - investment promotion campaigns, and sponsored major events such as the 44th Annual Meeting of ADB, the 80th Interpol General Meeting, International



Fireworks Festival in Da Nang, Da Lat Flower Festival, etc to promote and raise VCB's image and public awareness of its brand name.

- VCB also has been actively implementing brand name standardization and development project with the consultation of Allen International (UK). When completed, the project will contribute to the standardization of VCB to develop its image strategy which is closely tied to its business strategy.

v. *The selection of Strategic Partner and Increase of Chartered Capital:*

- On Sep 30th 2011, VCB signed the strategic cooperation agreement with Mizuho Corporate Bank Ltd – a member of Mizuho Financial Group (the third largest financial group in Japan). By the agreement, Mizuho Corporate Bank became the strategic partner with VCB with 15% shareholding. This is seen as the biggest deal in M&A history in Vietnam. The successful selection of strategic partner has created a new ground, allows VCB to have many breakthroughs in the future. It also marked an important milestone in the transformation process, continuously growing process of VCB towards a universal financial group which operates globally and has important regional impact.
- VCB finished issuing dividend stocks for the year 2010 with number of additionally issued stocks is 211,050,483 stocks, corresponding to 12% of par value, its charter capital increased from 17.587.540.310.000 VND to 19.698.045.140.000 VND.

vi. *Public Release of Information and Investor Relation (IR):*

- In 2011, VCB always provided public information to the public timely and transparently as required by regulations.
- Channels to exchange information with investors (telephone, email, or meeting, etc) always have been well maintained to timely provide information to hundreds of international and domestic investors (mainly organizations).

vii. *Others:*

- Operates with “the first bank for the prosperity of Vietnam” motto, VCB has always reminded itself of its responsibility to the community. It firstly is shown by the fact that VCB was the bank paid the highest income tax and was one of top 10 highest income tax payers nationwide. VCB also spent more than 100 billion VND in 2011 for social welfare program.
- VCB actively participated in related international and domestic associations, (WB-IMF's annual forum, Asian/ASEAN banking forum, World Economic Forum, etc); met many international financial group. These activities not only

contributed to the formation of prestige of VCB, they also helped create many opportunities for cooperation.

(Operation results in 2011 are presented on the Table 1 below).

4. Evaluation of the operations of BOD and the Board of Managers (BOM):

- i. The year 2011 was a difficult year with many international and domestic unforeseeable events. However VCB has successfully completed missions given by the General Meeting and continued fortifying its position as a major commercial bank of Vietnam. To achieve that result, the non-stop effort of every member of VCB and the leading role of BOD and the decisive management of BOM were critical.
- ii. BOD has regularly instructed to review and evaluate the implementation of plans, and gave directions for operation plans to flexibly adjust to market movements, exploit all opportunities in business.
- iii. BOD has worked closely with BOM to guide and manage operation of the Bank to flexibly response to market fluctuations while follow closely the development directions and business targets set by the General Meeting.
- iv. Members of BOD, BOM have endeavored to successfully complete their assigned tasks, responsibilities and always acted on be half of shareholders, the government and the Bank.

II. DIRECTIONS FOR OPERATION IN 2012:

2012 will be a year that the economy will be under significant shift, gather its resources to prepare for its development in 2011- 2020 period. It also is a year of starting restructuring the economy together with shifting the economic development model as the spirit of the decision of the 11th session of the 3rd Plenum Meeting. It is a major and complicated mission which focuses on 3 important fields including the restructuring of financial market in which the main focus is restructuring of commercial bank system and financial institutions. Based on the directions and guidelines of the government and the State Bank, VCB will actively restructure and improve its activities, focus on completing and effectively implementing Vietcombank Development Strategy for the 2011 – 2020 period; harmonically coordinate with its strategic partner - Mizuho to make foundational changes in management and business activities with **“Renovation – Standardization – Safety and Effectiveness”** motto. Directions for main business activities are as the follows:

- i. *Development Model, Organizational Structure, Network and Human Resource:*
 - Continue completing development model as designed by VCB strategy.



- Improve operational effectiveness of daughter companies, establish 3 new companies: remittance, asset management and consumption credit.
- Continue reviewing, standardizing its organization model at headquarter and branches.
- Accelerate and renovate staff training, recruiting, planning, nominating and manager rotation activities.
- In 2012, set target of establishing about 81 branches and offices, labor growth rate under 12%, and effectively allocating human resource.

ii. *Capital, Deposit and Investment:*

- Continuously improve raising deposit activities with growth rate of deposit from the economy about 18%.
- Credit growth rate about 17%, according to directions given by the State Bank in which credit growth rate for SMEs is higher than total credit growth rate.
- Ensure credit quality, limit new NPL. Control NPL ratio under 2.8%. Improve debt collection activities for debts previously written off using provision.
- Review and restructure investment portfolio appropriately.

iii. *Other business activities:*

- Diversify income structure and increase income from modern banking products.
- Secure current market position of card payment and number of card issued.
- Improve the development of modern banking services.

iv. *Risk Management:*

- Focus on controlling prudential ratios.
- Improve risk management by using international standard.
- Raise role of internal monitoring and auditing system.

v. *Investor Relations:*

- Closely and wholly coordinate with the strategic partner - Mizuho on the basis of mutual benefits to improve management capability, competitiveness and effectiveness of operation.
- Continue being active in investor relation and maintaining an effective information providing mechanism to investors.
- Minimum planned dividend for 2012 is at 12%.

vi. *Others:*



- Raise role of IT in management, quickly develop data system for management.
- Continue reviewing and completing issued regulations, setting up new regulations as requirements of the Law on credit institutions and other related legal documents to prepare a perfect legal framework for all activities of VCB.

(Detail targets for 2012 as the following Table 2).

Although the year 2012 is forecasted that there will be many problems, challenges ahead, BOD and all leaders of VCB determined: with the happiness of achieved success, with the belief into the future, with the VCB culture which has been established for nearly 50 years, we will drive VCB over all kinds of challenges, take full advantage of all our resources to continuously and sustainably develop and even become stronger in this year 2012./.

On behalf of BOD

Chairman

Nguyen Hoa Binh



Table 1
Main results in 2011

Unit: billion VND

No.	Index	2010 (Actual)	2011 (Planned)	2011 (Actual)	2011 (Actual/ Planned)	2011/ 2010 (Actual)
1.	Total asset	307,621	353,620	366,722	103.71%	119.21%
2.	Credit	176,814	212,177	209,718	98.7%	118.44%
3.	Deposit	208,320	249,984	241,688	96.68%	116.02%
4.	Pre-tax profit	5,569	5,650	5,697	100.84%	102.31%
5.	Number of staffs at the end of year	11,415	13,127	12,565	95.16%	109.43%
6.	Salary cost per pre tax profit (not include salary).	29.76%	33%	31.2%		
7.	Newly established branches and offices	42	76	23		
8.	NPL ratio	2.91%	2.80%	2.03%		
9.	Dividend per face value (%)	12.00%	12.00%	12.00%		

Table 2
Main targets for 2012 to present before the General Meeting

Unit: billion VND

No.	Index	2011 (Actual)	2012 (Planned)	Growth rate
1.	Total asset	366,722	432,731	18%
2.	Credit	209,718	245,370	17%
3.	Deposit	241,688	285,192	18%
4.	Pre-tax profit	5,697	6,550	15%
5.	Number of staffs at the end of year	12,565	≤13,990	≤12%
6.	Salary cost per pre tax profit (not include salary).	31.2%	33.00%	
7.	Newly established branches and offices	21	81	
8.	NPL ratio	2.03%	≤2.8%	
9.	Dividend per face value (%)	12.00%	≥12.00%	