

REPORT ON BUSINESS PERFORMANCE OF 2011 & DIRECTIONS FOR 2012

BUSINESS ENVIRONMENT OVERVIEW

The year 2011 witnessed a further gloomy of global economy with high inflation, unpredictable volatility of prices, and sovereign debt crisis of euro zone. As a consequence, Vietnam economy faced many difficulties and challenges such as high inflation, business stagnation and the uncertainty of monetary and financial markets.

Being aware of the difficulties in 2011, at the beginning of the year, the Government issued Resolution No. 11/NQ-CP to stabilize macroeconomy and control inflation. Thanks to the simultaneous implementation of solutions, by the end of Quarter IV/2011, the economy has experienced positive trends. GDP growth was 5.89%. Inflation rate was controlled at 18.13%. Export- import turnover increased significantly. The trade deficit was narrowed. The exchange rate remained stable.

In such unfavorable business environment, VCB has followed closely with the SBV's directions, responded flexibly to the changes of the market conditions and managed its operation effectively. As a result, business activities of VCB have been kept on going and sustainable achievements have been reached.

Being authorized by the Board of Directors, the CEO would like to make a report to the General Assembly of Shareholder about business performance of 2011 and action plan for 2012 as follows:

PART I. BUSINESS PERFORMANCE OF 2011

1. Assessment of the target implementation

In 2011, VCB fulfilled targets set by the General Assembly of Shareholder. In particular,

- The consolidated pre-tax profit reached 5,697 billion VND, increased by 2.3% as compared to the end of 2010 and equal to 100.8% of the target (i.e. 5.650 billion VND). Return on average equity (ROAE) was 17.0%; return on average asset (ROAA) was 1.2%.
- Total asset was 367,000 billion VND, increased by 19.2% year-on-year, exceeding the target of 15%.
- Total deposits from the economy reached more than 241 thousand billion VND, increased by 16% and higher than the average growth rate of the banking system (about 11%), equal to 96.7% of the target of 249,000 billion VND.

- The loan outstanding was 209 thousand billion VND, increased by 18.4% and lower than the credit growth limit of 20% regulated by the SBV.
- The ratio of non-performing loan over gross loans was 2.03%, lower than the level of 2.8% targeted by of the General Assembly of Shareholder.
- The import and export payment turnover reached 38.8 billion USD, rose by 25.5% year-on-year and accounted for 19.2% of the market.
- VCB well achieved objectives of card payment, usage and issuance volume.
- VCB launched 4 branches in Ninh Thuan, Nghe An, Bac Lieu and Phu Tho and 19 transaction offices, At present, VCB has total of 76 branches and 304 transaction offices.
- The year 2011 marked a significant milestone in VCB's development. VCB has completed the selection of strategic investor, followed that a strategic corporation agreement with Mizuho Corporate Bank of Japan was signed with 15% share-holding.

2. Vietcombank's management and performance of 2011

2.1. Enhance fund mobilization

In 2011, VCB faced many obstacles in capital mobilization resulted from SBV's tight monetary policy and severe competition. Under such uncertainty of market conditions, the VCB Board has considered fund mobilization as the priority for the year. While complying with the regulations of SBV, VCB implemented fund mobilization solutions such as product diversification and customer service improvement. Besides, VCB actively raised funds from abroad and domestic money market.

By the end of 2011, deposits from the economy reached more than 241 thousand billion VND at growth rate higher than that of the banking system. Of which, deposits from individual customers were about 122 thousand billion VND, increased by 23% and accounted for 50.4% of total deposits from the economy. Such achievement was resulted from the reputation of Vietcombank. Deposits from corporate customers were 120 thousand billion VND, increased by 9.7% and equal to 90.3% of the target. Deposits from interbank market were 87 thousand billion VND, increased by 24.7% compared to the end of 2010.

2.2. Control credit quality and restructure credit portfolio

In 2011, credit growth was hindered by economic difficulties, SBV's credit growth limit of 20%, and slow growth of deposits. In such context, the VCB Board readjusted the credit business plan to reasonably re-allocate credit growth target to each branch, accordingly to reduce target for branches with high non-performing loan rate, control loan exposure in foreign currency and medium and long-term loans. VCB actively restructured loan portfolio, focusing on investing in agriculture, manufacturing, and export-import businesses and reducing loans on non-manufacturing sectors.

Loan outstanding reached 209 thousand billion VND, increased by 18.4%, by end of 2011. It exceeded the target and maintained the market share of 8.1%. Loan outstanding on agricultural and rural sector was about 26,000 billion VND, increased by 31%; loan outstanding on export sectors was about 22,000 billion VND, by 64%. The proportion of loans on non-production sectors decreased from 12.4% to 9.4%, lower than the level regulated by SBV 16%. The proportion of loans to SMEs reached 14.4% while loans to individuals only accounted 10%.

2.3. Review and restructure investment portfolios

After reviewing the investment portfolio, VCB withdrew its capital from Shinhanvina and VPF1 in return of 589.4 billion and 5,5 billion VND. In addition, VCB existed the entire investment to Gia Dinh bank, SPT, and PVTran Pacific in return of 116.83 billion, 138 billion and 120 billion VND. By end of 2011, total VCB's capital investment in other companies and institutions reached 4,2 thousand billion VND, occupied 21.5% of registered capital which was in compliance with the prevailing regulations. Return on investment portfolios was about 1.003 billion VND, increased by 104.0% by end of 2010 and exceeded 144% the target.

2.4. Strengthen service businesses, maintain market share

- In 2011, VCB proactively balanced foreign currency supply for the economy, continued to play an important role as an import-export settlement centre. In conditions of stable exchange rate and strict regulations by governmental entities, VCB implemented many flexible solutions, finding foreign currency supply in order to fulfill its commitments on payment for importing essential goods for the economy. As the result, total foreign currency trading volume of the year was kept at approximately USD 34.5 billion.
- In 2011, despite global and domestic economic challenges, Trade Finance business continued to grow 25.5%, thanks to VCB brand name, its quality products and highly skilled people. Import and export settlement turnover in 2011 was USD 38.8 billion, made up for 19.2% market share. Export turnover increased 32.3% as compared to 2010, accounted for 22.6% market share. In the year, VCB implemented several export supported credit programs and actively introduced the Bank's advanced trade finance products to potential customers through exporters supporting associations and other marketing campaign.
- VCB has maintained its leading position in almost every card business criteria: volume of payment, issuance and card usage were all achieved. In the year 2011, VCB issued more than 1 million of cards, nearly 1.5 times of the target. Card usage and payment turnover achieved a very high growth. International credit card payment turnover was VND 4.624,5 billion, increased 43% compared to 2010. Especially, VCB international card usage turnover recorded nearly USD 1 billion, increased by 30.4%, accounted for more than 50% market share. The bank continued to be ranked No.1 in terms of the POS network, accounted for 26%, and No. 2 in term of the ATM network with 14% market share. Safety and security protection for ATM network as well as payment network nationwide are always in top priorities of the bank.

- For the vision of becoming Top 5 in retail banking VCB has continuously developed its retail banking business and always is the leading bank in applying modern technologies in retail banking. The bank has developed a large individual customer base with approximately 6 million accounts. In the period 2008-2011, the customer base increased more than 800 thousand accounts per year, mostly are Connect-24 card-holders. In 2011, VCB implemented many attractive products for individual customers as “Spring travel with VCB”, “Happy National Holiday”, “15-month Savings – Luxury Apartment Winner”, etc. At the end of 2011, the bank achieved a good funding result from individual customers with 122 thousand billion VND, increased by 23% compared to 2010, accounted for 14% of total fund mobilization of the banks. Individual loans as at 31/12/2011 was nearly 21 thousand billion VND, increased by 8% compared to 2010. Inward remittance continued to be a strength of VCB with USD 1.43 billion volume in 2011 and accounted for 15% market share. Being the leading bank in applying modern technologies in e-banking, VCB has developed many added value e-bank products in SMS banking, Internet banking, Online Savings, etc.

2.5 Risk management and ensuring safety in operation

In a highly volatile and competitive market, VCB’s 2011 goals were to ensure stable and sustainable businesses with reasonable profit growth, as well as enhance corporate governance and risk management. Corporate governance and ensuring safety in operation are consistent and enforced from Head Office to Branches through regular monitoring and supervision of business activities, such as interest-subsidized lending, foreign currency lending, business sectors with certain difficulties (~~disadvantage circumstances~~), in compliance with regulations by State Bank of Vietnam in interest and exchange rate, as well as in conformity with internal processes and procedures of VCB. VCB also enhanced distant supervision with branches and subsidiaries, issued early warnings to prevent risks. Besides, VCB often reviewed regulations, processes, procedures of operations, making implements and adjustments to meet requirements in newly situations. As the result, VCB was able to manage effectively liquidity risk, exchange risk and interest rate risk.

2.6 Information technology platform

VCB always considers advanced technology as the important key for developing and expanding business activities, enhancing risk management and corporate governance. In 2011, the bank’s information system was maintained and upgraded to become a sound foundation for developing products, advance services and providing useful management information, improving effectiveness of business activities. Besides, in order to meet long-term strategic development goals, VCB has been well equipped with technology conditions to implement important projects in 2012 such as Core Banking, Trade Finance Centralized Processing System, Database Management and Analysis, etc. Based on a modern and up-to-date technology platform, VCB is now able to supply a wide range of products and services to meet customers’ increasing requirements.

2.7 Promoting media activities and consolidating VCB brand

In 2011, with the aim at boosting VCB's image closer to the public and investors, VCB launched many promotion campaigns and public relation activities such as calling for investments, participating in big festivals (Vietnam Forest Product Festival, National Tourist Year 2011 of the South Central Seacoast at Phu Yen province, etc.), acting as sponsor at important events nationwide (44th Annual ADB Meeting, 80th Interpol General Meeting, etc.). VCB has also been open for information disclosure to investors. The Bank improved relationships with investors through regular meetings, consultancy, Q&A, thus getting attentions and strong supports from shareholders, and being able to harmonize the interests among classes of shareholders.

In order to strengthen customer's recognition of VCB, VCB has been implementing the Project of VCB Brand Standardization and Development, with support from Allen International (U.K). The project was completed in half at the end of 2011 and has been planned to finish in August 2012. It is considered as a foundation for VCB to standardize branding activities, constructing branding strategy in conformity with business development strategy.

2.8 Enhance customer service quality

In 2011, VCB paid special attention on customer service quality and considered service quality as the core of strategy. VCB improved service quality for each specific group of customers. The customer service policies were managed by the Head Office and simultaneously complied by all branches. . For retail customers, VCB has improved the services of Vietcombank's Contact Center; consolidated sales management departments, established specialized department for customer services. VCB organized customer care competitions in the bank such as "**VCB smiles**", "**Effective Transaction Office**", "**Excellent Teller**", etc. in order to standardize communication skills and service styles, as well as to honor excellent staff and offices, enhance quality of retail banking services. For institutional customers, VCB organized Customers' Meetings, setting up and strongly manage business plans and profit targets for each group of corporate customers. As a result, VCB achieved a solid growth in the institutional customer base over years. At the end of 2011, the number of such customers' accounts was increased to more than 74.000.

2.9 Promote international cooperation in various fields

In order to facilitate business development as well as establish high position in the international market, VCB also focus on expanding the international cooperation in many business lines. In 2011, VCB has established partnerships with many international banks through signing memorandums such as Loan Agreement and Memorandum of comprehensive cooperation with the China's Development Bank - CDB in the presence of senior leaders and entrepreneurs of Vietnam and China; Memorandum with Intesa Sanpaolo Bank Corporation (Italy) and Shinhan Bank (Korea) to support Vietnamese

enterprises to enter into international markets; enhance business partnerships with international card organizations such as Visa, MasterCard, American Express, JCB, Diner Club and CUP

2.10 Actively engage in social activities, community support toward development of the entire society

Being a bank of community, VCB spent over 100 billion dong for social welfare activities. VCB actively involved in charity activities, gratitude programs with scale and far-reaching as "Tribute to Truong Son", "Lighting dreams for Vietnam's children", "Great Joining Hands", "Day of the Poor ", equipped navy boat CQ - 01 for officers and soldiers in Truong Sa islands, supported the victims of the earthquake and tsunami in Japan...

3. Business results of the affiliates

In the grey picture of the economy in general and the difficulties of the banking and financial sector in particular, the business of VCB affiliate companies has faced many disadvantages. However, these companies have attempted to overcome difficulties, strengthen internal forces, improve technology system and risk mananement, personnel training ... to create strong momentum for sustainable development in future. By the end of 2011, the business performance of the companies remained stable, reaching a positive profit results are as follows:

- ▶ Finance leasing company (VCB Leasing): Profit reached 47.8 billion dong, up 50.4% compare to the year and exceeded 14.5% set target.
- ▶ Hong Kong finance company (VFC): Profit over 1 million HKD, increased 4 times as compared to 2010. Customer base was well developed with doubled numbers, creating a foundation for next years.
- ▶ VCB Securities companies (VCBS): Due to adverse effects from market, while most securities companies were loss-making or went to bankrupt, profit of VCBS is approximately 8 billion dong, revenue from securities brokerage activities reached 29.1 billion, revenue from the securities investment activities reached about 5 billion dong. It is very encouraging results, derived from the great efforts of all leaders and employees.
- ▶ Monex TN Company: the business license was granted. The first transaction points have been completely set up, remittance services and travel agents were officially launched.

PART II: BUSINESS DIRECTIONS IN 2012

In 2012, due to difficulties in sovereign debt crisis control, unemployment and inflation, global economic prospects are not much positive. Thus the economy of Vietnam in the next year is forecasted to be much impacted by external factors and less promising.

The overall 2012 target set by the National Assembly is to give priority to curb inflation; stabilize the macro-economy, maintain suitable growth closely to renovate economic growth model and restructure the economy. The specific targets are to curb inflation under 10%; GDP growth rate to be 6-6.5%; state budget deficit to be 4.8%; export turnover increase about 13%; trade deficit to occupy 11-12% export turnover; investment for socioeconomic development to equal to 33.5% GDP.

In order to carry out all the targets of the National Assembly, The State Bank of Vietnam (SBV) has put forward directions and solutions as follow: (i) SBV will continue to tighten monetary policy (but with flexibility) to curb inflation, stabilize the macro-economy and support for the growth of the economy (ii) Total liquidity increases 14-16%, credit grows 15-17%; interest rate and exchange rate are controlled reasonably in conformity in a balance of growths of the macro-economy, monetary market and foreign exchange market. Besides, a very special impress in 2012 is to restructure the economy, especially the banking system.

On the ground of analyzing the business market, closely following directions of the National Assembly and SBV, VCB will go forward with the motto “Renovation – Standard – Safety – Productivity”, take the initiatives in restructuring the bank’s organization and cooperating with Mizuho Bank to create breakthroughs in administration and business activities.

❖ **Main business criteria:**

Norms	Planning for 2012
1 Total assets	Increase 18%
2 Loan outstanding	Increase 17%
3 Fund mobilization from economy	Increase 18%
4 Profit before tax (billion VND) Profit after tax	6550 billion VND, increase 15% 4929 billion VND
5 Labor	Maximum increase 12%
6 ROA ROE CAR	1,22% 15% At least 12%
7 New branches and transaction points	81
8 Non-performing loan rate	Under 2,8%
9 Dividend (%/face value)	12%

❖ **Targets and solutions in 2012:**

- 1. Assign the business strategy for period 2011-2020 to each level of the bank system*
- 2. Step up fund mobilization – top priority*

- Focus on VND fund mobilization from the domestic primary market; take advantages of strong relationships with international banking organizations to stimulate off-shore funding activities..
- Implement individual fund mobilization programs, develop overlapping products to maintain the continuous deposits from populations, specific products on the base of highly advanced technology. Research and introduce linked products and cross-products, mobilization products in association with sticking loans to deposit guarantees of economic institutions with the motto “Be different”. Continue to develop long-term mobilization products to take advantage of long-term capital.
- Enhance customer services, efficiently manage and improve relationships with high value enterprises. Diversify customers, focus on exploiting deposits from SMEs; decrease the dependence on big enterprises. Closely monitor funding flows among groups of customers in order to flexibly control both foreign and VND capital.
- Comply with SBV’s regulations on interest rate. Research and introduce a suitable internal interest rate policy in order to encourage the fund mobilization of branches.

3. Ensure safety, quality and efficiency of credit growth and continue to efficiently manage investment areas and sectors.

- Control credit growth in line with deposit growth; strictly control growth of mid-long term credit and foreign currency credit. Promulgate suitable credit policy in compliance with Government’s strategy and ensure liquidity of the bank.
- Prioritize lending to agriculture sectors, rural areas, export production; support working capital for SMEs, high efficiency projects in line with economic strengths of geographic areas. Limit loan exposure to imported commodities which are restricted by the Government. Control loan exposure to non-production sectors.
- Focus on ensuring credit quality and preventing credit risk, especially for the customers that have high loan outstanding. Enhance handling and collection procedures of NPLs. Handling NPLs depends on various methods and building route for individual customers.

4. Improve service quality and maintain market share

- Continue to act as market maker in foreign exchange trading business: closely follow Government’s policies to make responsive decisions in forex trading business; enhance relationships with customers, focus on marketing, knowing well customers’ requirements, promulgate business solutions to attract and balance foreign exchange sources to ensure sufficient foreign currency for customers.
- Maintain market share in export-import payments: increase competitiveness advantages over trade finance products, focus on keeping and developing export customers.
- Push up retail banking services: standardize retail products and services, diversify list of products and services based on building unique interest and fee policy applicable to the whole bank. Expand retail network, explore new retail markets and improve payment

services of internet/sms/phone/mobile banking. Apply active sale models to the whole bank.

- Maintain growth momentum and market share of card business: maintain and develop card services, especially in-depth development through enhancement of quality services, pushing online payment. Based on its leading strength, VCB focus on expanding network to increase POS payment turnover, enhancing the effectiveness of risk management to ensure safety for customers and the bank as well.

5. Restructure investment portfolios to be more efficient.

- Review and restructure affiliate companies to ensure the effectiveness of their operations and in compliance with laws
- Review investment portfolios, withdraw capital from investments which are not efficient and did not bring much assistance to VCB's business operations as a whole.

6. Actively restructure VCB's organizational structure, join in Vietnam banking restructuring initiatives under State bank of Vietnam's assignment.

- Establish foreign remittance company, asset management company.
- Develop and implement VCB restructuring projects, join in SBV's Vietnam banking restructuring programs by supporting the weak banks.
- Co-operate with strategic partners to study their experience in order to enhance management skills and business efficiency.
- Expand network by launching new branches and transaction offices. Standardize and modernize the organizational structure of HO and branches. Review then adjust the operations of VCB and affiliate companies to become more suitable to ensure the effectiveness of liquidity management and banking safety.

7. Reinforce system management, enhance risk management and inspection, control and ensure safety in operation

- Implement the management strategies' ***Active, professional and strict***'. At HO level, increase the monitoring function, system management, keep up with the market's changes and guidance of Government and SBV to promptly make directive decisions. At branches and holding companies level, regularly update economic situations, adapt the guidance from HO, make recommendations to HO for management and competition policies in their areas.
- Review internal procedures, policies, working manuals; adjust, supplement, promulgate new documents to be more practical.
- Enhance risk management and assessment in each business unit. Keep up with the market changes to provide analysis and forecasts of market risk, liquidity risk...To enhance the management of credit quality at branches. Control the loan utilization of customers to ensure the loans were efficiently used for proper purposes and repaid in

due. To strengthen inspection and remote surveillance, regularly manage all the operations of VCB, branches and companies.

8. Implement information technology projects to improve management capacity of VCB

In 2012, VCB will deploy some important IT projects to improve IT system of VCB so as to increase competitiveness of VCB, including:

- From 6/2012: renew Core banking system
- From 5/2012: deploy new Trade finance system
- Implement new system for Treasury, risk management of card services

9. Strengthen financial management, push up the progress of infrastructure construction.

- Strengthen financial management based on budget and detailed spending in order to properly assess the efficiency of each unit.
- Asset procurement must be based on actual needs, approved budget estimate and cost saving regulations. To keep close control and inspection over documents before paying, ensure all the expenditures to comply with regulations, avoiding budget deficit.
- Push up the completion of construction projects, especially the building of branches, companies and holding companies

10. Actively take part in social activities; push up public communications, PR and other external activities; brand repositioning and internal events.

- Support and actively participate in social activities, continue to implement the Government's 30A/2002/NQ-CP resolution. Research to diversify and improve long-term efficiency of welfare activities so as to support the community
- Develop public communications and PR activities to make VCB's image become more and more familiar with the public. To enhance shareholder relations and other external activities.
- Complete and implement the project "Standardization and development of Vietcombank's brand" from 08/2012 to unify VCB's image and increase VCB's prestige
- Continue to implement Vietcombank culture project throughout the bank system, stimulate code of conducts and code of ethics among VCB's staffs.
- Continue to implement the policy that VCB's staffs and related persons are encouraged to use VCB's services and products