

**JSC BANK FOR FOREIGN TRADE OF VIETNAM SOCIALIST REPUBLIC OF VIETNAM**

Address: 198 Tran Quang Khai St., Hoan Kiem, Hanoi

**Independence - Freedom – Happiness**

Business Registration No. 0100112437

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ON 2014 ACTIVITIES AND 2015 PLAN****I. Vietcombank 2014 business activities:****1. Overview:**

- The world economy has recovered but slower than expected. Political conflicts which occur in many places have a negative impact on the recovery of the world economy.
- Bright spots of Vietnam's economy: macroeconomic environment was stable, inflation is under control, import and export has grown fairly well. GDP rose 5,98% , higher than what analysts expected (5,8%); inflation was low; CPI was 1,84%, export reached \$150 billion, increased 13,6%; import reached \$148 billion, increased 12,1%; trade surplus of \$2,0 billion; FDI reached \$12,4 billion, increased 7% compared with 2013, etc.
- The banking sector has continued to lower interest rates, stabilize foreign exchange market, handle bad debts, and promote restructuring. By the end of 2014, deposits increased 15,76%, loans increased 14.50% and total payment settlement increased 15,99% compared with the beginning of the year. Although there have been some positive results, banks still face many challenges: net interest margin is low, which lowering profit; loan growth is lower than the target, the NPL is still high, etc.

**2. Tasks given at the 2014 annual general meeting (2014 AGM):**

At the 2014 Annual general meeting, the shareholders decided to

- i. Approve activities orientation in 2014 with the motto: "Innovation - Growth - Quality"; viewpoints operation: "Agility - Determined - Connect".

One of the main orientations: Continue to standardize organizational structure in a centralized way, make plans and roadmap to restructure VCB subsidiaries and branches to improve operational performance; focus on credit growth and quality control simultaneously, improve efficiency of using capital; improve the quality of

customer relationship; maintain and promote foreign currency trading, card, modern banking services; develop VCB's network; strengthen risk management, deploy Basel II roadmap in 2015-2018; continue to promote investor relations and maintain the effective information exchange with the shareholders and investors; develop and implement a strategy for human resources management, develop the key performance indicators; focus on the planning, forecasting; accelerate the deployment of transformation and enhance-management-capacity projects, etc.

- ii. Approved some key targets for 2014: 11% increase in total assets, 13% increase in loans, 13% increase in deposits, 5.500 billion VND for profit before tax, dividend ratio of 10%, NPL ratio of less than 3%, etc.
- iii. Approved that the remuneration for BOD and Supervisory Board is 0,35% of profit after tax.
- iv. Approved the proposal of raising 2014 chartered capital (expected to be 3.476.125.610.000 VND)

### 3. Assessment of performance of the tasks given at the 2014 AGM

The year 2014 went through with many changes in the economy as well as the regional and global politics, bringing many challenges for Vietnam's economy in general and the operation of the banking sector in particular. VCB has continued to be **Agile** to seize the opportunity, to be **Determined** to promote all activities and to tightly **Connect** in management and government in accordance with the views of BOD and BOM. In addition, to fulfill the 2014 motto (Innovation - Growth - Quality), VCB has performed well the role as one of the leading banks in the banking system, contributing to stabilize macro economy as well as the key tasks of the banking industry.

In 2014, VCB has made innovation in business and governance, especially in customer relationship, planning, cascading and implementation targets based on the indicators measured operational efficiency, etc. Deposits, loans, and the other business services have grown well; bad debt recovery was particularly focused and has obtained outstanding results; VCB network (branches and transaction offices) expanded. By the end of 2014, VCB has exceeded the critical targets given at the 2014 AGM.

Below is the assessment of performance of the tasks given at the 2014 AGM:

#### a. Business:

- Total assets as of 31/12/2014 was more than 576,9 trillion VND, up ~23,03% compared with 31/12/2013, exceeding the target (11%).

- Loans outstanding as of 12/31/2014 was approximately 326 trillion VND, an increase of about 17.72% compared with 31/12/2013 and higher than the industry average (14,5%). In particular, customer loans reached 323,3 trillion VND, an increase of about 17,87% compared with 31/12/2013 and exceeding the target (13%). Lending structure shifted to VCB's orientation, the proportion of SME loans to individual loans increased relatively high compared with 2013.
- VCB has been actively restructuring deposit by increasing the proportion of low-cost capital, and spearheading in lowering interest rates to reduce lending rates. Deposits from customers and issuing valuable papers as of 31/12/2014 reached 424.4 trillion VND, an increase of about 26.97% compared with 31/12/2013 and exceeding the target of 13%.
- Credit quality control has been focused. NPL ratio was 2.31% (as of 12/31/2014), meeting the target of less than 3% and being lower than the NPL ratio of the banking industry.
- 2014 international payment settlement reached \$ 48.14 billion, increased about 15.79% compared with the previous year. After years of decline, VCB's market share of international payments has recovered, reaching 16,32% in 2014, increased 0,7% compared with its market share in 2013.
- Revenue from foreign currency trading was about \$29 billion, up 9,8% on 2013
- Payment and card services achieved good growth compared with 2013, in which some targets such as the number of issued debit card and credit card, card payment has grown strongly.
- Written-off and sold-to-VAMC debt recollection got special attention with new and determined solutions, bringing breakthrough results. Income from written-off debt was about 1,420 billion VND, up 64.6% compared with 2013. Income from sold-to-VAMC debt reached 356,5 billion VND.
- The difference between revenues and expenditures before provision in 2014 increased 12,73% compared with 2013. VCB has had a provision of 4.565,7 billion VND, raised 29,70% compared with 2013
- 2014 Profit before tax reached 5.876 billion VND, up 2,32% compared with 2013 and was 6.85% higher than the target set at the 2014 AGM. The proportion of non-interest income increased by ~ 1.5% compared with 2013, showing that the income structure continues to diversify in accordance with VCB's orientation.

- ROAA and ROAE reached 0,88% and 10,76% respectively. Capital Adequacy Ratio (CAR) was 11,61%, meeting SBV's requirement of being at least 9%.

*b. Management:*

i. Organization and network:

- High-level management positions were smoothly transferred after Mr. Nguyen Hoa Binh retired.
- Completed the proposal of restructuring VCB in 2013-2015 period (has been approved by SBV), issued and focusedly implemented a plan.
- Established 10 branches and 17 transaction offices.
- Continue to overallly review the functions and duties of Head office' departments and branches; reorganize, establish some departments to increase specialization and centralized management: establishment of ALM department, merge Project Finance department to Corporate customer department, establishment Trade Finance center; etc.

ii. Customer relations:

- Expand and strengthen partnerships with corporations, large corporations such as Vietnam Airlines, PetroVietnam (PVN), PetroVietnam exploration production corporation, Viettel, Petrolimex, EVN, Vinacomin, General Import Export Van Xuan Corporation, etc; signed a cooperation agreement with the Social Insurance, Vietnam State Treasury in the collection of insurance and the state's revenue.
- Promote the development of FDI and individual customer.
- Successfully organized the Customer Conference at Head Office and branches, therefore enhancing opportunities for collaboration and business between VCB and domestic and foreign customers.

iii. Risk management:

- Comply with SBV's regulations on safe operation ratios
- Continue to complete risk management policy, complete some tools to support risk management such as PD and LGD models, etc.
- Inspection, control, audit was focused not only to detect errors but also to give the warning to ensure compliance and risk prevention in the bank's operations.

iv. Public relations:

- VCB's public relations has witnessed positive changes in the quality, bringing positive results. In addition, VCB continues to have many practical contributions to the community through social welfare programs with a total contribution in 2014 of 148 billion VND, in which there were many effective social programs.
- Approved advertising programs and social welfare activities, thus continued to improve VCB's brand and reputation.
- Actively participate in foreign-affair activities to improve the position of VCB and develop business partnerships (such as the following conferences WB-IMF, ADB, ABA, etc).

v. Construct and complete internal policy:

- The BOD has directed the related department to regularly review and timely issue, amend, and supplement policies such as VCB's organizational and operational charter, policy on organization and operation of BOD, policy on brokerage and agent commission, policy on granting credit to financial institution customer, policy on management of Vietcombank's brand image, policy on the management of VCB's subsidiaries, policy on the distribution performance salary, policy on debt trading, guarantee policy, policy on the organization and operational of enhance-management-capacity projects of VCB, etc.
- With the above-mentioned policy, VCB has completed the legal framework for its activities, ensuring its safety and improving efficiency.

vi. Enhance-management capacity projects:

- Aiming to become a bank managed according to best practices, VCB has executed a series of projects to improve managerial and operational capacity, such as: "Basel II Diagnostic and Planning for risk management improvement at Vietcombank"; complete compensation policy and build measuring performance system- KPIs; register to comply with FATCA law and execute other tasks, prepare for the execution of ALM-FTP-MPA project, etc.
- Research and prepare for the execution of target operating model transformation process, transform compliance activities into a centralized way.

vii. Information disclosure and investor relation:

- Successfully hold the 7<sup>th</sup> annual general meeting on 23/04/2014, extraordinary general meeting on 26/12/2014.
- Paid 2013 cash dividends, issued 2014 bonus shares and completed tasks related to the increase of the charter capital (registered to be listed and traded, registered

to change Business Registration, modify License of establishment and operation, revised charter, etc.)

- Successfully disclose periodic information and extraordinary information, ensuring timeliness, openness and transparency. Some important information has been disclosed, such as the annual financial report, the semi-annual financial report, the change of senior management, before-and-after-the-AGM information.
- The task of providing information to shareholders, domestic and foreign investors has been performed with high quality, and its frequency is increasing. In 2014, VCB held about 50 meetings with shareholders, institutional investors, and welcomed more than 100 investors visits. Positive feedback from investors about the quality and transparency of information contributed to the increase of 37% in the bank's share price in 2014, net share buying of foreign investors in the year reached 27,3 million shares; of the total shares of 7.89% excluding the shares of SBV and Mizuho (92, 11%), the proportion of shares held by foreign investors has increased from 4,7% to 5,9%.

viii. Strategic cooperation:

- Actively promote cooperation with Mizuho in establishing and expanding the customer's relations with the FDI group, other institutional customers as well as individual customers in FDI.
- Continue to perform technical assistance activities with the participation of experts from Mizuho in the areas of training, human resource management, anti-money laundering, ...

c. *Results of the performance of the key 2014 targets assigned by shareholders (see attached Appendix 01)*

**4. Existing Issues:**

- The difficulties in the economy together with increasing competition have resulted in the following issues: the use of capital has not been improved, excess liquidity, market share in some services has not been improved, NIM decreased compared with 2013.
- Credit growth was not stable over the year. Credit quality is still low in some groups of customers.
- The review and completion of operational model, functions and duties of the department at Head Office, branches has been prolonged.

- Some construction projects, enhance-management-capacity projects have not met their proposed deadlines.

#### **5. Performance assessment of BOD and BOM:**

- In 2014, facing a complicated situation in world and domestic economy, the Board of Directors and the Board of Management have the right orientation, responsiveness, flexibility and aggressiveness in management, sticking strategic targets for long-and-medium-term as well as the specific targets for 2014 assigned by the shareholders. The connection between the Head Office, its branches, its units, and the bank's customers and partners have been strengthened, creating a positive effect for the bank's operations.
- With the close guidance and regular coordination between the Board of Directors and the BOM, the bank has achieved outstanding results in business, continued to confirm the position of a leading commercial bank in Vietnam economy
- Members of the Board of Directors, the Board of Management have fulfilled the assigned responsibilities and tasks, and made the interests of shareholders and the interests of the SBV and the Bank as their operational objectives

#### **6. Report on the change of BOD members, BOS members and change SBV's representative at VCB**

- Mr. Nguyen Dang Hong resigned as member of BOD on 21/07/2014 with Decision No. 1435/QD-NHNN dated 21/07/2014 of the Governor of the SBV regarding resigns as a representative of SBV's 30% share at VCB.
- Mr Nguyen Hoa Binh retired as Chairman of BOD on 01/11/2014.
- Mr Nghiem Xuan Thanh, former CEO, was approved by the BOD to be the new Chairman on 01/11/2014. Mr Nghiem Xuan Thanh represents SBV's 40% share at VCB in accordance with Decision 2526/QD-NHNN dated 05/12/2014 of the Governor of SBV.
- Mr Pham Quang Dung, former Deputy CEO, was approved by the BOD to be the new CEO on 01/11/2014. Mr Pham Quang Dung represents SBV's 30% share at VCB in accordance with Decision 2526/QD-NHNN dated 05/12/2014 of the Governor of SBV.
- Ms Nguyen Thi Kim Oanh resigned as member of BOD on 26/12/2014 and was approved by BOD to be the new Deputy CEO on 26/12/2014.
- Mr Nguyen Manh Hung was elected as Member of BOD at the 2014 extraordinary general meeting on 26/12/2014.

- Mr Lai Huu Phuoc resigned as member of BOS member on 26/12/2014.

## II. 2015 ACTIVITIES ORIENTATION:

In 2015, the world economy is forecasted to continue the recovery at a slow pace with complicated situation. Positive domestic economic developments: higher GDP growth than the growth in 2014 (the target is ~ 6.2%), inflation continued to be controlled (under 5%); efficient use of public capital continued to improve.

The banking sector continues to perform the role of business and trade and stabilize macroeconomic with the following tasks: speeding up bad debts recovery and strengthening the control of bad debt, reasonable credit growth to support other the economic sectors, continuing to implement the restructuring in order to improve the operational efficiency of the entire system.

Towards the realization of the strategic goals in 2020, based on the business results achieved in 2014, VCB is determined to focus all resources and use its advantages to complete the targets set for 2015. The motto of 2015 is **Speed-up - Efficiency - Sustainability**, Executive's viewpoints are **Determined - Connect - Responsibility**. Accordingly, the bank's mandate for 2015 is to continue to keep abreast 2011-2020 Strategy and the scheme restructuring for the 2013-2015 period. The central task of 2015 were determined that: (i) Continue to strengthen and develop strong customer, increase market share; (ii) good quality control of assets; (iii) To ensure safe operation, maintaining the present activity growth rate higher than 2014; (iv) Continue to promote deployment of advanced project management capacity, paving the way for a new development stage.

Main orientation on some areas:

### *a. Business activities:*

- i. Continue focusing on customers relation, as this is the key task of 2015 and the following years:
  - Keep steady and gradual increase in the market share of traditional customers; focus on developing new customers. Constantly improve the quality of customer service to enhance competitiveness to attract customers.
  - Pay attention to focus on developing partnerships with customers FDI, customer groups are listed companies, customers and SMEs person
- ii. To boost credit growth coupled with quality control credit:



- Develop and implement a plan to promote credit growth in specific customers, striving to achieve a higher growth rate of the average sector. Growth by product, customer policy, determined not to lower lending standards.
- Better control of credit quality, control NPL ratio below 2.5%.
- Continue to promote the treatment and recovery of debt in the system by means of specific and effective. Striving to achieve results in a higher debt balance sheet in 2014.

iii. Continue to restructuring deposit structure

- Operating working capital raising flexibility, synchronous market movements and bank's capital needs, ensuring stable liquidity and maximize efficiency.
- Focus on attracting capital with cheap price policy and marketing activities accordingly.

iv. Promote business and capital investments

- Improving the efficiency of capital through bond investments, interbank trading; restructuring of the portfolio in accordance with market forecasts.
- Promote the restructuring of the bank's subsidiaries; regularly assess the long-term portfolio to adjust investment structure consistent with market developments, ensuring efficient capital investment.
- Implement the negotiation process with partner banks to implement the merger under the policy was approved by the AGM.

v. Diversification of products, increase service revenue:

- Focus resources for research, product development services, advertising and communication, thereby improving the quality of products as well as the proportion of revenues from services in the income structure.
- Consolidate and gradually regain market share in the card services, payment operations, foreign currency trading.
- Promote the development of retail banking services, sell structured innovation, focus on product development of modern banking services, towards implementation of strategic goals in 2018 led to the retail market

vi. Financial results:

- Strive to achieve a profit before tax of about 5.900 billion VND on the basis of ensuring the provision at ~ 5.500 billion VND.

- Control and good governance efficiency targets, paying special attention to the NIM coefficient and coefficient of capital (LDR) to ensure stable liquidity and capital efficiency.

*b. Management*

i. Network:

- Alignment restructuring project phase 2013 - 2015, good performance goals and measures of network development and strengthen the organizational structure proposed.
- Continue to review and complete the functions and duties of the department/center at the Headquarters, standardized organizational model room/board of branches towards centralization.
- Prepare for the establishment of branches and transaction offices were central bank approval.

ii. Human resource management:

- Complete and introduced the results of the project to build a system of measurement and evaluation work performance (KPI) along with complete and introducing new mechanisms to generate salary motivation employees improve job performance.
- Strengthen the rotation, continue to innovate and improve the quality of staff training; standardize processes, improve the effectiveness of recruitment, planning and appointed officials.

iii. Risk management:

- Regularly check to supplement, amend the Regulation was issued, construction of the new Regulation in accordance with the laws and regulations of the bank's operations.
- Strengthen inspection, auditing and monitoring; timely warning, detection, risk prevention.

iv. Investor Relation:

- Make better disclosure of information under the provisions; continued innovation in contact with shareholders and investors in order to further enhance the level of interactivity and quality of information.
- Maintain good communication mechanism with the major shareholders (the central bank, Mizuho and other major shareholders).

v. Bank's transforming projects:

- Focus on implementing the project on schedule and ensure efficiency, ensure the integration and connectivity between the project: application of the initial results of the project, whom was implemented in 2014 analyzed the current situation and develop a roadmap for applying Basel II; wide deployment project KPIs across the system; continued implementation of core banking transformation; construction investment focus TF system; promotion projects implemented ALM-FTP-MPA, project conversion credit model, ...

c. *Details of some basic indicators in 2015 (see Appendix 2).*

The year 2015 is the last year for VCB to complete restructuring scheme for the period 2013-2015, whilst the domestic and world economy is forecast to be complicated, the Board of Directors, the entire executive boards leadership, VCB staff are firmly determined to fulfill and exceed the tasks assigned by the shareholders, to complete the bank's restructuring objectives in order to gradually improve the bank's competitiveness, governance capacity, to grow and develop sustainably, to realize the 2020 strategic goals, which are to become the number one bank in Vietnam as well as one of 300s largest and well-governance Financial Institution in the world./

**ON BEHALF OF THE BOARD OF DIRECTORS**  
Chairman

**Nghiem Xuan Thanh**

**APPENDIX 1**  
**PERFORMANCE OF 2014 CRITERIA ASSIGNED AT THE 2014 AGM**

*Unit: VND billion*

No	Criteria	2013	2014 target	2014	2014/ 2014 target	2014/ 2013
1	Total asset (billion VND)	468,994	520,583	576,989	110.84%	123.03%
2	Loans (billion VND)	274,314	309,975	323,332	104.31%	117.87%
3	Deposit and valuable paper (billion VND)	334,259	377,713	424,412	112.36%	126.97%
4	Profit before tax (billion VND)	5,743	5,500	5,876	106.85%	102.32%
5	Number of workers	13,864	14,834	14,099	95.05%	101.70%
6	Salary cost over profit before tax excluding salary	33.00%	37.00%	35.00%		
7	Number of branches to be opened	1	16	10		
8	NPL ratio	2.73%	<3%	2.31%		
9	Dividend	12%	10%	10%		

**APPENDIX 2**  
**2015 KEY CRITERIA TO BE SUBMITTED TO THE 2015 AGM FOR APPROVAL**

*Unit: billion VND*

TT	Criteria	2014	2015 Target	Growth
1	Total asset (billion VND)	576,989	643,343	11.50%
2	Loans (billion VND)	323,332	365,365	13.00%
3	Deposit and valuable paper (billion VND)	424,412	475,342	12.00%
4	Profit before tax (billion VND)	5,876	5,900	0.40%
5	Number of workers	14,099	14,804	5.00%
6	Salary cost over profit before tax excluding salary	35.00%	37.00%	
7	Number of branches to be opened	10	6	
8	NPL ratio	2.31%	<2.5%	
9	Dividend	10%	10%	