

JSC BANK FOR FOREIGN TRADE OF VIETNAM

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SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom – Happiness

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Hanoi, April 05th, 2016

REPORT OF THE BOARD OF DIRECTORS ON 2015 OPERATION AND 2016 ORIENTATION

I. OPERATION REPORT OF 2015:

1. Highlights and overview:

- The world's economy grew slower than expected in an uneven, inconstant and unstable manner. There were numerous large political-geographical events, religious and ethnic conflicts, regionalism interlacing with multilateral cooperation trend.
- Vietnam's economy achieved very positive results in 2015: GDP growth reached 6.68%, the highest level in the last 5 years; inflation rate remained at a low level and CPI only increased 0.63%, which was the lowest level during the last 14-year period; export quota reached USD 162.4 billions, increasing 8.1%; import quota reached USD 165.6 billions, increasing 12%; FDI realized at USD 14.5 billions, increasing 17.4% from the same period of 2014... Vietnam continued to integrate deeply into the world's economy by entering the ASEAN Economic Community (EAC), signing the Eurasian Economic Union, finalizing the negotiation of the new generation Free Trade Agreement with the European Union (EU) and the Trans-Pacific Partnership (TPP).
- In 2015, the banking sector's operation followed accordingly to the outlined orientation, the monetary policy was flexibly managed in view of the macroeconomic stabilization, inflation control and economy growth support at a reasonable level. The total money supply increased 14.2% and the deposit mobilization increased 14.4%. The credit growth reached 17.3%. The interest rate level decreased 0.2% – 0.5% per year. The restructure of credit institutions scheme basically met the proposed target after 4 years of drastic implementation. Bad debt recovery methods proved their effectiveness, bringing the system's non-performing loan ratio to ~ 2.72%.

2. Missions assigned by the General Shareholders Meeting (GSM):

At the Annual general meeting of 2015, the Meeting ratified the following:

- i. Ratifying the business orientation of 2015 with the action motto: “Acceleration – Effectiveness – Sustainability” and the management orientation: “Drastically – Connectively – Responsibly”.

The key missions of 2015: (i) To continue fostering and expanding the customer base and improving the market share; (ii) To soundly manage the asset quality; (iii) To ensure the operation safety and to retain the growth rate of operation activities higher than 2014’s; (iv) To continue accelerating enhance-management-capacity projects, founding the premise for new development period.

- ii. Ratifying several major targets for 2015: total assets increasing at 11.5%, credit growth increasing at 13%, deposit mobilization increasing at 12%, profit before tax reaching VND 5,900 billion, share dividends at 10% of the share’s face value, non-performing loan ratio below 2.5% of total loans...
- iii. Ratifying the compensation level for the BOD and Supervisory Board at 0.35% of profit after tax.

3. Review of the missions assigned by the General Shareholders Meeting:

In 2015, in the context of the economy and banking industry restructuring, Vietcombank aggressively seized the opportunities and accomplished the role of being one of the major leading banks within the sector as well as strictly implemented the guidelines from the SBV and drastically implemented the Restructuring scheme for the 2013-2015 period, contributing to the completion of the industry’s missions and macroeconomic stabilization. Keeping in mind the outlined guidelines and management orientation, the BOD and Board of Management closely followed the market movement and directed Vietcombank’s operation in accordance with the proposed targets.

Overcoming many difficulties and obstacles, 2015 was the year to witness the transformation and breakthroughs, signaling a new development era for Vietcombank. With the determination of its whole system, Vietcombank has achieved impressive results in implementing the missions outlined after the Resolution of 2015’s Annual General Meeting.

Reviewing the implementation of missions outlined from GSM as follows:

a. Business operation outcomes:

In 2015, Vietcombank achieved robust growth in most of the activities: positive improvement in operating structure, safety in operation is ensured, operational efficiency is strengthened. All the key business targets are fulfilled and exceeded following the approved plan by the General Shareholders' Meeting (For detail, please see BOM Report)

b. Directing and management activities:

The bank's management activity was paid special attention by BOD with key highlights of 2015, including:

i. Organization structure standardized, network expansion fostered:

- During 2015, Vietcombank drastically standardized the branch system into a standard functional model, orienting Branches to concentrate on sales. The functions and missions of HO departments were also reviewed, standardized and re-enacted, creating a positive message in transforming Vietcombank into a modern banking model.
- Opened 6 new branches and 17 transaction offices, promoting the delivery of modern products and services to clients and the market as well as boosting the business operation efficiency.
- Fostered the construction of facilities such as branch and transaction office headquarters. Many new and modern offices have been opened up and put into operation.
- Carried on the procedures to establish Consumer finance Company, Overseas remittance Company and overseas branches and representative offices.

ii. Domestic and international cooperation continued to develop.

- In 2015, Vietcombank signed a number of cooperation agreements/loan contracts with groups and corporations such as Vietnam Airlines, Vinatex, EVN, DIV, VNPT, FLC, Truong Hai, etc., implemented the agreement with Vietnam Social Insurance to collect social insurance, health insurance, and unemployment insurance by signing contracts between Vietcombank's branches and Vietnam Social Insurance branches across the country, which has attracted capital with low interests and making business more effective.
- Vietcombank's domestic and foreign relation is continuously developed. In 2015, Vietcombank's senior management attended many meetings with the senior management of large international banks and financial organizations, and

participated in overseas working group of the Party, the Governance, allowing Vietcombank to learn about foreign corporations, strengthening connections and seizing the opportunities to develop business cooperation.

iii. Human resources training was especially focused and achieved significant improvement:

- The quality and quantity of training program across the system was improved. Vietcombank has built some projects from now to 2020 to develop human resources: restructure training activities, upgrade training center to human resources development school, e-learning training, build training center at Ecopark, etc.

iv. Simultaneously carry out several projects enhancing management capacity and operation efficiency, and complete internal management policies:

- In 2015, Vietcombank carried out many transformation projects such as Credit Target Operating Model project, some initiatives of Basel II program, etc, supporting the management to be in line with the best practice and modern banking model.
- In addition, Vietcombank issued and completed key management policies such as Policy on human resources management, Policy on penalties for employees, Policy on appointment, reappointment, dismissal, resignation, Policy on limit and safety ratios, Policy on salary, Group of criteria assessing the operation subsidiaries based on balance score card, Regulation on ranking branches and subsidiaries, code of conduct, etc. The policies have changed perception, increased proactivity and improved the bank's efficiency.

v. Leading brand name in the banking industry

- By focusing on media relation, developing new media types attracting public attention (Vietcombank News published on the bank's website and fan page, The leader magazine, etc.), timely providing accurate information on a vivid basis to the public, investors and the market, and aiming towards achieving high standards on information transparency, Vietcombank was ranked 1st on the leading brand name board.

vi. Proactive in social activities for the community

- Besides business activities, Vietcombank has proactively participated in social activities to help the community. In 2015, Vietcombank pledged to spend VND 256 billion and disbursed VND 225.2 billion to social activities and charity programs in poor areas across the country.

vii. The best bank in Vietnam

- Thanks to the improving efficiency in operation and important effects on the corporation community, domestic and international financial market, Vietcombank received the “Best bank in Vietnam” award by many well-known magazines such as Euromoney, The Asian Banker, Asiamoney, Trade Finance, Finance Asia, Global Trade Review, Alpha SEA
- Retail activities has achieved outstanding results and awarded the “Best retail bank in 2015”
- Vietcombank’s brand continued to be developed and strengthened. Brand Finance, an independent intangible asset valuation consultancy, ranked Vietcombank among the world’s 500 most valuable brands. Forbes ranked Vietcombank among the best 2000 public companies, and Vietnam’s 50 best public companies.

viii. Investor relation

- In 2015, investor relation continued to be improved. On one hand, Vietcombank strictly followed the regulation on information disclosure, on the other hand the bank frequently met and exchanged information with investors, ensuring timely provision of transparent information to investors. The investor relation activities have strengthened investors’ belief, built two-way relationship, taken into account useful suggestions from investors and provided business opportunities for Vietcombank.
- In 2015, Vietcombank held more than 60 meetings with shareholders, institutional investors and 100 meetings with investors. Vietcombank participated in major domestic and foreign investor events.
- The Investor section on Vietcombank’s website has both English and Vietnamese versions, and is constantly updated. Since 2016, Vietcombank’s investor presentation material has been posted in both Vietnamese and English, so investors can easily access Vietcombank’s information.

c. Results on 2015 key targets set by the AGM (see Appendix 01).

4. Some issues:

- Because of high competition, LDR was low and the market share of Trade finance and international settlement was not improved.
- Credit growth in wholesale banking mainly came from existing customers, new customer relationship was slow.

- Some transformation projects were behind their timeline.

5. Assessment on the performance of the Executive Board.

- The BOD has supervised the Executive Board in accordance with the bank's charter, operational charter of the BOD, policy on internal management and related policies.
- Amid the tough market condition, based on the direction of the BOD, the Executive board was very proactive in directing business by aiming at the medium-and-long-term targets and 2015 targets set by the BOD and AGM.
- Thanks to the close supervision and frequent cooperation between the BOD and the Executive board, Vietcombank has achieved outstanding results in operation; and continued to be the leading bank of the economy.
- Members of the Executive board have successfully fulfilled their tasks, always put the interest of shareholders, the Government and the bank as their goals.

II. ORIENTATION FOR THE OPERATION IN 2016:

The global economy shall continue recovering but certain poignant risks remain, especially with strong economies such as China. Vietnam's economy has a positive outlook for growth, GDP is likely to exceed 6.7%, inflation is expected to increase slightly and stay below the target of 5%.

The banking sector has set major targets and solutions for executing the monetary policies as follows: to increase loans reasonably along with enhancing credit quality, to continue implementing the solutions of the roadmap for credit institution restructuring and bad debt handling, to augment the inspection and supervision operations on banks, to continue implementing comprehensive solutions for bad debt handling and credit quality controlling and improving,...

Following the orientation of the Government and the State bank of Vietnam, Vietcombank maintains the motor for 2016 as "Speed-up - Efficiency - Sustainability", Executive's viewpoints are "Innovation - Discipline - Responsibility". Accordingly, the central direction for 2016 is: to promote all advantages, to make use of all opportunities, to develop in depth focusing on quality and efficiency, to endeavor in all operations to successfully achieve and surpass the business plan assigned by the AGM, towards sustainable development in compliance with international standards.

Major orientation on some areas:

a. Business activities:

- i. Focus on developing customer relations – the fundamental and consistent mission:
 - Maintain market share with traditional customers and promote developing new customers. Focus on customers with efficiency and safety operation and on sectors with good prospectus.
 - Enhance customer segmentation to develop and diversify appropriate services for each segment and to improve the quality of customer services.
 - Diversify flexible products, increase cross-product sales.
 - Set up management instruments to support sales, centralize sale management in accordance with the new model.
- ii. Boost credit growth ensuring safety and efficiency:
 - Apply risk management instruments to create an active credit portfolio management strategy.
 - Issue credit policies to be sector-oriented.
 - Strictly control credit quality, manage NPL ratio below 2.5%.
 - Utilize all resources in bad debt/ written-off debt recovery.
- iii. Continue transforming the fund mobilization structure:
 - Ensure fund mobilization balance with the capital demand and the development direction of the bank.
 - Foster fund mobilization from individuals, focus on attracting low cost funding such as current accounts and deposit payment from organizations,...
- iv. Foster treasury, foreign exchange and trade finance activities:
 - Take effort to maintain the leading position in the interbank market, foreign exchange market and the Government bond secondary market.
 - Sustain and gradually increase market share in international settlement with appropriate solutions: develop FDI customers and customers in targeted import-export sectors, develop new customers,...
- v. Increase the investment efficiency:
 - Restructure investment portfolio; focus on investments in stable or rapid growth sectors.

- Enhance the management and supervision over the operations of subsidiaries. Construct the roadmap and the plan for transforming ownership structure of the Leasing company and Securities company.
- vi. Enhance financial capacity:
- Implement the capital raising plan by: (i) Bonus share issuance to existing shareholder at 35%; (ii) Private placement to foreign investors at maximum 10% of the charter capital of Vietcombank at the time of offering.
 - Increase operation efficiency, restructure asset-liability portfolio, improve the asset quality and bad debt handling, ensure required limits, improve prudent and profitability ratios.
- b. Management:*
- i. Network:
- Continue arranging and standardizing the organization structure by functional groups, the centralized vertical management structure. Complete the organization structure of branches towards reducing operational activities and focusing on sales.
 - Establish several departments at the Head office, establish the representative office in the South, establish new branches and transaction offices in potential areas.
 - Implement the establishment of Consumer finance Company, Remittance Company, research on the establishment of AMC, proceed on the establishment of branches and representative offices overseas.
- ii. Training:
- Implement synchronously solutions for the accomplishment of the Restructure plan for training activities until 2020.
 - Create the foundation for e-learning, set up the library and materials for training, researching and initiative promoting activities.
- iii. Risk management:
- Gradually establish the risk management system in compliance with Basel II, complete the risk measurement frame work and procedure.
 - Consolidate and improve the competence of the controlling, auditing and supervising functions towards the best international standards.
- iv. Information technology:

- Implement solutions for improving the quality and efficiency, fully reforming the operation of Vietcombank's information technology system: make new investments, substitute and upgrade some main fundamental systems, implement Corebanking project ensuring quality and progress,...
 - Enhance the development of human resources for IT Center, improve risk management in information technology.
- v. Bank's transforming projects:
- Focus on implementing projects on the enhancement of management capacity, especially the risk management capacity project, implement foremost initiatives: CTOM project to fundamentally transform credit operation of Vietcombank; focus on implementing initiatives of Basel 2 project to firmly transform the risk management operation of Vietcombank, following the Basel 2 implementation agenda of the State bank; officially implement the KPI management program throughout the system; promote the implementation of ALM-FPT-MPA projects, the project on improving internal control, audit capacity and transforming internal audit function, the project on fraud risk prevention,...
- c. *Details of some basic indicators in 2016 (see Appendix 2).*

Transpired by the 2015 achievements, with the determination of the Board of Directors, Board of Managers and nearly 15,000 employees throughout the Vietcombank system, Vietcombank would definitely overcome challenges and take up all the opportunities in 2016, accomplish and surpass the targets assigned by the AGM, bring Vietcombank to a new phase of development towards actualizing the strategic target to become the Number 1 bank in Vietnam, ranking among 300 biggest financial groups in the world, underpinned by global best practices.

**ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRMAN**

Nghiêm Xuân Thanh

APPENDIX 1
PERFORMANCE OF 2015 TARGETS ASSIGNED AT THE 2015 AGM

Unit: VND billion

No	Criteria	2014	2015 target	2015	2015/ 2015 target	2015/ 2014
1	Total asset (billion VND)	576,996	643,343	674,395	104.83%	16.88%
2	Loans (billion VND)	323,338	365,365	387,152	105.96%	19.74%
3	Deposits and valuable papers (billion VND)	424,412	475,342	503,007	105.82%	18.52%
4	Profit before tax (billion VND)	5,844	5,900	6,827	115.72%	16.83%
5	Number of employees	14,099	14,804	14,755	99.67%	4.65%
6	Salary cost over profit before tax excluding salary	35.00%	37.00%	37.00%		
7	Number of new branches	10	6	6		
8	NPL ratio	2.31%	<2.5%	1.84%		
9	Dividend (%/face value)	10%	10%	10%		

APPENDIX 2
2016 KEY TARGETS TO BE SUBMITTED TO THE AGM

Unit: VND billion

No	Criteria	2015	2016 Target	Growth
1	Total asset (billion VND)	674,395	765,438	13.50%
2	Loans (billion VND)	387,152	452,967	17.00%
3	Deposits and valuable papers (billion VND)	503,007	578,458	15.00%
4	Profit before tax (billion VND)	6,827	7,500	10.00%
5	Number of employees	14,755	15,493	5.00%
6	Salary cost over profit before tax excluding salary	37.00%	37.00%	
7	Number of new branches	6	6	
8	NPL ratio	1.84%	<2.50%	
9	Dividend (%/face value)	10%	Max 10%	