

JSC BANK FOR FOREIGN TRADE OF VIET NAM

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Business Registration No. 0100112437
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SOCIALIST REPUBLIC OF VIETNAM**Independence - Freedom – Happiness**

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Hanoi, April 8, 2014

REPORT OF THE BOARD OF MANAGEMENT ON THE BUSINESS PERFORMANCE IN 2013 AND DIRECTIONS FOR 2014

I. BUSINESS PERFORMANCE IN 2013

In 2013, the world economy showed certain signs of improvement, though it still seemed to be uneven and suffered from a number of difficulties. The domestic macro-economy already achieved initial encouraging results through the Government's deployment of comprehensive solutions under the Decree No. 01/NQ-CP and 02/NQ-CP dated 7th January 2013. Inflation was controlled at lower level compared with 2012; the CPI increased by 6.04%, economic growth ratio was 5.42%. Industrial production did change positively, increase in inventory was slowed down; enterprises' business development was improved. Other indicators such as: exports and imports, and FDI grew positively. However, the domestic economy has been facing certain challenges: the business operation and manufacturing of the enterprises have not been recovered yet, the inventories have still been a pretty high rate, the banking businesses are still struggling with the increasing bad debts, continuously reducing interest rates. In fact, many commercial banks had to adjust their business targets, however, at the end of the year, some of the banks have still not met the adjusted targets.

Following the Government's orientations, the State Bank of Vietnam (SBV) has directed the banking system to consistently and effectively deploy the monetary policy's solutions under Direction No.01/CT-NHNN, Direction No. 03/CT-NHNN, and the related documents. In overall assessment as end of 2013, SBV's monetary policy has matched with the inflation control objective and supported economic growth at reasonable levels: interest rates fell sharply; the credit activities was operated towards the motto "expansion in parallel with safety", exchange rate and foreign exchange market were stable, the exchange rate fluctuation was around 1.3% ... As of 31st December 2013, the whole banking sector' fund mobilization has increased by 15.46%,

credit was estimated to increase by 12.51% compared to the beginning of the year, the NPL has gradually been controlled at 3.79%.

In 2013, in the context of the economy and the banking sector were still challenging with many difficulties, JSC Bank for Foreign Trade of Vietnam (Vietcombank) has attempted to fulfill its role as one of the leading bank in the sector, strictly implementing SBV's policies, contributing to the overall mission of the sector and macroeconomic stability. With the management aim "Agile - Flexible - Aggressive", the Board of Directors and the Board of Management have been catching up closely to the market movements, following VCB's business direction, in order to implement the bank's 2013 motto: "Innovation- Quality-Safety- Efficiency".

Under the authorization of the Board of Directors, on behalf of the Board of Management, the CEO would like to report the business performance for the year 2013 and business plan for 2014 as follows:

1. Accomplished mostly business plan targets:

By 31st December 2013, VCB has basically accomplished business performance targets for year 2013 assigned under the BOD's Resolution. Some main indicators are as follows:

(i) Total consolidated assets grew higher than the previous year, continuously maintaining the market share

By 31st December 2013, total assets were VND 468,994 billion, rose 13.15% compared with 31st December 2012, exceeding the 9% target assigned at the beginning of the year.

(ii) Fund mobilization from the economy increased positively, satisfied the demand for capital and ensured the liquidity of the bank

Deposits mobilized from the economy reached VND 334,259 billion, rose 16.3% compared with 2012, exceeding the 12% target assigned at the beginning of the year. If counted the borrowing from the Social Insurance, the fund mobilization from the economy reached VND 340,259 billion, increased 11.63% compared with 2012.

(iii) Credit grew positively and exceeded the target of 2013, the impressive growth in late months of 2013 created a strong credit base for sustainable credit growth in 2014

The outstanding loan to the economy (including the corporate bonds) reached VND 278.357 billion at the end of the year 2013, increased by 14.82% compared with 2012, higher than that of the sector. This rate also exceeded the target of 9% at the beginning of the year. Such achievement of credit growth was mostly contributed by rapid expansion

of credit activities in the second half of the year 2013 (+13.9%).

The structure of credit portfolios changed positively, adapting to strategic goals of VCB. Particularly, the share of lending to individuals over total lending to the economy increased from 11.94% in 2012 up to 13.58% in 2013. The proportion of VND-based lending over total outstanding loans rose up to 76.59% in 2013 from 68.85% in 2012. The short-term lending moved from 62% in 2012 up to 63.9% in 2013.

(iv) Credit quality was controlled as targeted

The prolonged difficulties of enterprises' business operation, that made loans of banks deteriorated. Although VCB could not avoid unfavorable conditions of the economy, VCB still has implemented a number of solutions on management, and collection of bad debts. As a result, the bad debt outstanding as of 31 Dec 2013 was VND 7,475 billion and occupied 2.73% over total loan outstanding, below the target of maximum 3%.

(v) Improvement on collecting the written-off debts

Collection of written-off debts reached VND 855 billion in 2013, increased by VND 490 billion compared with 2012. Especially, there was a great attempt of collecting written-off debts in the second half of 2013 and achieved VND 732 billion, accounted for 86% of the plan target.

(vi) Banking services have good growths and achieved most of targets of 2013

Card business achieved better results than that of 2012 and significantly exceeded the business targets of 2013.

The export and import settlement turnover was USD41.6 billion, increased by 7.2% compared with that of 2012 and accounted for about 15.8% of market share.

The total volume of foreign currency trading transactions reached USD 45.2 billion, rose by 7.1% against 2012, significantly contributed to the bank's income.

The total volume of incoming remittance from overseas was about USD 1.3 billion in 2013, increased by 4.6% compared with 2012.

(vii) Maintained the effective and stable business operation

Although Vietcombank always comes at first in reducing interest rates to support enterprises overcome difficulties in operation and focuses on building up credit risk provisions to ensure operation safety, in 2013 VCB still gained the positive business results. The consolidated profit before tax in 2013 reached VND 5,743 billion, after deducting 3.520 billions in provision, reaching 99.02% of the plan, slightly lower than 2012 primarily due to increasing 3.8% in operating expenses.

(viii) Loan to Deposit ratio was improved towards the positive and efficiency way

In order to promote effective capital utilization and achieve better performance results, VCB's Board of Management has actively directed liabilities to match the Bank's assets portfolio. The structure of our deposits portfolio has also been changed by increasing the percentage of timed deposits and concentrating on credit growth towards the end of the year 2013. Therefore, the LDR ratio has risen from 70% at the beginning of year to 82.3% at the end of the year.

(ix) Return on Average Assets ratio (ROAA) and Return on Average Equity ratio (ROAE) in 2013 reached respectively 0.99% and 10.38%. Capital Adequacy Ratio (CAR) reached 13.37%, higher than specified minimum 9,0 percentage of SBV.

2. Innovation in business management

With the goal of becoming a leading bank in Vietnam, having influence in the region and standing in top of 300 largest banks by the year 2020, key task of VCB is to build a modern banking management system, sustainable development according to international practices and standards. Therefore, in the 2013, VCB is gradually preparing its foundation to create a breakthrough in the near future, namely:

(i) Implementation of the Bank restructuring

Finalized the proposed project "VCB's restructuring - period 2013 - 2015" under the direction of the Government in the Decision No. 254/QĐ – TTg dated 01/03/2012 of the Prime Minister and the Decision No. 734/QĐ - NHNN dated 18/04/2012 of SBV. The VCB's Restructuring Project has been being reviewed by SBV.

Evaluated, reviewed and made the plan to restructure the investment efficiently. Total divestments in 2013 was 73.13 billion dong including divestment of Central People's Credit Fund (5 billion dong), divestments in PVD (50.45 billion dong), divest entire equity in CII (13.68 billion dong).

(ii) Flexibility in making safe and efficient business solutions

- *For credit activities:* Increased access, set up transactions with customers, proactively launched loan programs with flexible interest rate policy, incentives to support enterprises; performed screening and restructuring the customers portfolio by concentrating for good and potential customers without lowering down the lending requirements.
- *For fund mobilization activities:* Timely steer interest rates of deposit, swift toward increasing proportion of cheap and stable sources of fund, that ensuring both a stable liquidity and business efficiency.
- *For banking service:* offered the flexible price and cost policies, conducted the cross-selling of banking products, actively organized the training courses of

customer care, implemented the marketing programs for the whole VCB system in order to bring VCB service to customers, considering the banking service as stable source of income for VCB.

(iii) Renewal of the method of customer relationship management

- To maintain the existing customer base and increase VCB's market share, VCB has innovated its solution to take care of its customers.
- Developed the retail customer segments, assessed the retail customer portfolios in order to setting the appropriate policy for each customer segments.

(iv) Comprehensive renovation of recovery and processing of bad debt treatment

- Focus for the recovery and processing of debt, focus on risk management by customer and industry segments together with customer evaluation to prevent bad debt from the appraisal and disbursement step.
- Actively implement the recovery and processing of bad debt. Complete relevant legal procedures for treating bad debt at branches.

(v) Improving quality (both in terms of content and time) in the treatment of branch's problems

In the past year, in order to capture and give timely solutions for branches' difficulties as wells as to create a strong development in VCB's operations, the Board of Management not only conducted the collection and process of the branches' petitions but also focused on removal of those obstacles seriously, frankly and responsibly. Thereby, the aggressive direction and administration of the BOM has been confirmed, that improving accountability from the Head Office to all branches and creating high consistency to maximize the power of the whole system.

(vi). Implementation of Enhanced Operational Capability projects

- Approved of implementation of Basel II project, practice the first step of some projects including management information system (MIS), remuneration policy and performance measurement, System Management Enhancing through ALM and FTP development system. Besides, continue to implement the major information technology projects such as Core Banking, TF ...
- Focus on implementation of some projects including the Situational Assessment and establishment of some models of market risk, credit risk, operational risk measurement in compliance with the standards of the Basel II's regulations on banking operations.

(vii) Network expansion and organizational restructure.

- In the 2013, VCB has built the network expansion Scheme and has been licensed by the SBV to set up 15 branches and 26 transaction offices. This was the largest network expansion since the bank was founded. Moreover, VCB is the bank that SBV approved for the largest numbers of new offices before Circular 21/TT-NHNN issued by SBV comes into effect.
- VCB has conducted an overall review of functions and duties of some Departments/Committees at the HO as well as completed the functions and duties of certain departments such as Debt Handling Dept., Construction Management Dept., Inspecting and Auditing Depts. and established FDI Dept.
- The bank has reviewed and assessed the status of all branches' organization and operations, resulting in implementation of some branches' developed and consolidated projects.

(viii). Completion internal regulations and procedures consistent with practices

- Review, amend and supplement following internal regulations and procedures: Regulations on the internal capital management, Regulations on the salary payment, Regulations on the performance salary payment, Finance Regulations, Regulations on the guarantees... Apart from this, the following regulations are accomplished, namely: Regulation on debt handling ; Regulation on processing collaterals for loans; Regulation on loan exemption; Regulation on commissions to agents / brokers... The Regulations on the Fund Transfer Pricing (FTP) to assess the operation efficiency of the branches.
- Review, amend and issue the new Regulation and procedures, namely: Regulations on organization and operation of Enhanced Operational Capacity project; Regulation on debt trading; Regulation on interest exemption; Regulation on information disclosure; Regulation on subsidiaries management. Supplement and complete information technology management under ISO270001 standards. Promulgate the Regulation on operational position management and access to the application system;

(ix) Focus on risk management, internal control and supervision

- Applying automatic loan classification as defined in the Circular No.02/2013/TT-NHNN and the Decision No 493/2005/QD-NHNN.
- Strengthening the implementation of the inspection and supervision of the branches and subsidiaries' operations. In 2013, VCB has audited 51 branches, specially

focused on auditing credit activities in 41 branches. After supervision and audit , VCB has seriously considered and adopted all relevant recommendations.

(x) Innovation in construction management

- In 2013, office investment construction has been positively changed: conducting a review of all facilities and office buildings throughout the system; collaborating intensively with the branches to make survey and suggestions, buy new facilities, workplaces, ensured spacious imaging and brand to compete strongly with other banks.
- During the year, 10 new branch's office constructed projects have been completed and put in operation; 23 renewal projects have been completed and handed over; 13 reconstruction investment projects have been approved in terms of scale and policy; 10 investment projects have been decided; 03 projects has been approved bidding plan; 10 building investment projects started...
- Implementing some successful auctions on land-based branch of Lao Cai, Kon Tum, transaction offices of Da Lat; completing procedures to purchase office buildings of Hanoi, Thanh Cong, Ha Tay, Lang Son, Viet Tri Branch

(xi) Intensive PR , branch re-positioning and investors relation

- Successfully organized the VCB 50th opening anniversary and related activities.
- Launched the new brand identity and continued to deploy new brand identity uniform from head office to branches as well as promoted new brand identity activities as scheduled and planned.
- Actively participated in external domestic and foreign activities to confirm VCB position and develop business partnerships (WB-IMF, ADB, ABA conference...).
- Usually contacted and provided to domestic and foreign shareholders and investors with high quality information and received nice feedback from those. VCB also participated in several national and international IR events such as international investors' conference in Japan, Thailand and Singapore.

(xii) Promotion of strategic cooperation with Mizuho

- In 2013, VCB and Mizuho has organized 70 technical assistant sessions in some various areas such as: securitization by ensuring cards in Japan, the process of risk analysis and internal ratings; planning ..; signing contract/service agreement between two parties to buy and sell foreign currencies and other business activities.
- Mizuho has also introduced many Japanese corporate and individual clients to open

trading accounts at VCB, enhancing operational efficiency as well as tightening relationship between two banks.

(xiii) By actively participating in social welfare activities and programs for the benefit of the community, the Bank's reputation and brand have been recognized and highly appreciated

- In the year 2013, VCB committed to donate more than VND 300 billion for social welfare and charity activities. The bank participated in some big programs such as: funding for the areas of North West, Western Highland, and South West (Mekong River Delta) of Vietnam; funding the project of bringing electricity to Co To island; funding the Cancer Hospital of Da Nang; funding the Education Center for Orphans and lonely old people in An Giang province; funding to build schools and medical stations in Ninh Binh province; funding to build 6 schools in Hue city; etc. Those contributions enriched a friendly, closely, and social responsible image of VCB.
- In the year 2013, in many fields of operations, VCB was highly appreciated and honored by the community, by the customers of the bank, as well as domestic and international organizations. As a result, VCB ranked 445 in Top 1000 Global 2013 by the Banker magazine; (ii) Kept staying in Top 10 corporate tax payers 2013 in Vietnam.

3. Limitations

In line with some achievements, VCB still faced some problems that must be resolved as follows:

- Some efficient ratios such as NIM (net interest margin), ROE (return on equity), ROA (return on asset) was improved in the late months of the year 2013, but stayed at low levels
- Credit quality has been recognized and put under controls, but there are many underlying risks. NPLs continued to grow in terms of the size.
- LDR (Loan to Deposit Ratio) was improved in 2013 compared with 2012, but still far from its peers.
- Loans to individuals, households and SMEs grew in lower positively, but still far under potential level of development. Credit growth to corporate banking sectors remained to be traditional big customers; therefore big corporate was little developed in the year 2013.
- VCB market share of international settlement is being narrowed down in consecutive years.

- Some VCB branches own their market share of deposits and lending which were not proportionate with VCB image and their position in local areas. The percentage of cheap capital in total capital mobilization standing was at low levels; some VCB branches do not have improvements in credit quality;
- Some projects of building VCB branches' offices have been late and struggling in performing planned progress.

II. BUSINESS PLAN IN 2014

In the year 2014, many international forecasts and surveys predicts that the global economy might perform better than that in 2013, but the growth rates remain at modest levels. The domestic economy witnessed some optimistic signals in the later months of 2013, but there were still difficulties. The Government set targets for the year 2014: (i) Control inflation at the level of 6,5-7%; (ii) Stabilize exchange rate of the domestic currency as those in last two years (the USD/VND rate increase 1-2%); continue to increase foreign-exchange reserves, stabilize balance of payment, increase export volume at no less than 10%; (iii) Support and subsidies enterprises in recovering business activities to promote GDP growth to reach approximately 5,8%, preparing conditions for the growth above 6% in the year 2015. The State Bank of Vietnam also set main responsibilities for the banking industry in 2014 is to extend positive results in 2013 for better regulating, and performing monetary policy better than that in 2013; to strictly cooperate with fiscal policy and other macro policies to successful control inflation at the level of 6,5% as the Government already set; setting the goals of increasing total payment vehicles (M2) at the growth rate of 16-18%, and credit growth of 12-14%.

Business determination and main concentrations of VCB in 2014

Based on the analysis of the business environment, strictly following the regulations and targets set by the Government and guidance of the State Bank of Vietnam, VCB has determined to operate under the motto "*Innovation, Growth, Quality*" and the management view of "*Sharpness, Drastic, Connection*". Therefore, the main orientation of the Bank in 2014 is sticking to VCB's Business Strategy for the period 2011-2020 and the Bank's Restructuring Project 2013-2015; utilize all of the Bank's advantages; continue to grow in depth, concentrate/ focus on quality and efficiency, looking forward to sustainable development and following international standards.

Items	Targets of 2014
<i>Total Assets</i>	Increase by 11%

<i>Credit</i>	Increase by 13%
<i>Deposits Mobilization</i>	Increase by 13%
<i>Non-performing loans/ Gross loans</i>	max 3%
<i>Profit before tax</i>	VND 5,500 billion

Missions in 2014

1/ Enhance credit growth in parallel with controlling credit quality, without lowering lending requirements

- Promote credit growth in line with business targets in the year; set competitive interest rates based on flexibility and efficiency; no lowering lending requirements of credit products; proactively promote cross-sales of services and products.
- Concentrate on increasing lending to customers with healthy financial situations; sectors/ industries with bright future; focus on supplying preferred loans to prior sectors, such as agriculture, rural development, export, complementary industries, SMEs, hi-tech companies, according to the Government's Decree No. 01/NQ-CP and the State Bank's guideline.
- Perform frame analysis to industries that VCB set targets to increase credit; develop the mechanism of early warning/ alerts of the risks for each industry; and analysis in the mechanism and regulations to help VCB invest more into efficient and low risk industries.

2/ Perform synchronized and effective solutions in deposits mobilization, proactively balance between fund resources and fund uses in terms of maintaining liquidity position and meet funds for the economy.

- Pay attention to changing the structure of fund mobilization in order to increase stabilized resources to meet fund needs of the economy, and to raise the cheap fund sources to create competitive edge on the market.
- Develop the network of individual customers to increase the stability of fund sources. Proactively promote cross-sales of services and products to exploit efficiency of using fund.

3/ Strengthen customer relationship activities, considering it as one of the most important and decisive task in 2014

- Maintaining traditional clients and developing potential customers. VCB Head Office will back up and coordinate with its branches in terms of promoting and

enhancing the closed relationship with its clients. Strong-based financial and low risk customers are set as targets of development. Customer-base profitability system will be implemented.

4/ Actively implement every solutions to collect written-off bad debts

- In the year, the Bank gave the most priorities to bad debts recovery works. Bad debts handling project have been carried out to improve the quality of credit activities, of which: conducting the classification of assets, proactively setting aside provision for loans loss accordance with Circular 02/2013/TT-NHNN dated 21 January 2013; reevaluating the current situation and recovery opportunity of group-two debts, bad debts and written off bad debts by using provisions and allowances ones; reviewing and reevaluating bad debts to sell to VAMC and other asset management companies.

5/ Improve service quality and maintain the market share

- The Bank builds a flexible mechanism of price policy, diversifies products and services, improves quality of customer services in order to expand the proportion of revenue from banking services.
- Proactively implement business solutions, maintain and expand the market share for the field of trade finance, foreign exchange transactions and card business.

6/ Revise and consolidate key business performance of the Bank and its Subsidiaries

- Restructure investment portfolios and focus on growing and rapid growth industries. Enhance to manage investment portfolios through the set of regulations.
- Prepare conditions for equitisation of some subsidiaries which are in compliance with regulations on cross-ownership.

7/ Improve structure of operating and develop branch network

- VCB keeps on improving structure of operating toward the model of parent-subsubsidiary company; Improve structure of operating at Head Office and restructure and build standard model of branches.
- Standardize structure of operating in line with classifying and improving the functions of branches.
- Launch 15 new branches.
- Build the project for establishing consumer credit company; study and prepare for establishing branch in Myanmar, Laos. Promote to launch domestic remittance company.

- VCB is ready to take action of M&A with other banks when we grasp favorable conditions..

8/ Keep on improving projects for strengthening business capability

- Finalize reports on management information system (MIS) for retail banking and toward applying for the whole bank.
- Continue working on Basel II project: Analyze the gap between VCB and requirements of Basel II; set up general plan for project; dual run in test PD, LGD model in line with internal credit rating program; push up the project of improving management capacity as international rules such as developing ALM & FTP system.
- Continue to implement the Core Banking project (Core Banking) in terms of integrating Core Banking with other applications; developing a reporting system, converting data, assistance to integrate business systems; implement trade finance system, measure key performance indicators, renew at-door banking services at branches, upgrade Internet banking services, etc.
- Continue to change the mechanism of salary and income distribution which is based on performance. In coordination with the consultants, VCB builds detail list of job description for each position in order to publish the set of KPI for rational setting salary and bonus mechanism.

9/ Enhance supervisory and set up the warning system

- Reinforce supervisory activities: Finalize functions and obligations of the compliance, supervisory and auditing departments; enhance the supervisory activities of VCB subsidiaries.
- Reinforce supervising staff's ethical and operating risks

10/ Other management activities:

- Concentrate on promoting training activities for the staffs, the executive managers.
- Enhance the centralization of the operational activities.
- Continue to improve the internal procedures and regulations to support the efficiency of business activities.
- Approve and reinforce branch development project and branch restructure project.
- Exert to build office for branches and equip the fixed assets to facilitate the business operations.

- Utilize Video Conferencing system and exploit all capacities in management and executive activities from the board of management to branches.
- Improve the technology system in order to achieve the Certificated ISO 27001 on safety in administration of information system.
- Promote public relationship with customers in order to help them to recognize VCB new brand logo, to make the Bank's differentiation.
- Promote the media plan for bring VCB image closer to the clients.

JOINT-STOCK BANK OF FOREIGN TRADE OF VIETNAM

GENERAL DIRECTOR

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