



Date: 1<sup>st</sup> March 2011

## **REPORT FROM THE BOARD OF DIRECTORS ON ITS ACTIVITIES IN 2010 AND PLAN FOR 2011**

2010 was a challenging year for the world economy and also an evolving year for Vietnam economy. The banking business became harder in stable maintaining and seeding profit. ABBANK operations have been closely monitored by the BOD who continuously directed the Management in the general and specific actions to keep the business in the safety, efficiency and solid development. The BOD also reinforced the controlling activities, corporate governance, system restructuring and constructed a developing plan for the coming years.

The Board of Directors hereby presents to the Shareholders Meeting on its activities in 2010 and the direction for 2011:

### **I. ACHIEVEMENTS IN 2010**

#### **1. ABBANK essential achievements**

##### **1.1 Basically the bank achieved all targets of business:**

- Total assets: 38,015 billion dong, increased 43.3% to 2009, and exceeded 3.8% to year plan.
- Total deposit: 20,019 billion dong, increased 73% to 2009, exceeded 18% to year plan.
- Profit before tax: 637.6 billion dong, increased 54.5% to 2009, exceeded 9,9% to year plan.
- Charter capital at 31 Dec 2010: 3,831 billion dong.
- Bad debt: 1.16%, lower than 2009 (1.45%)

Detailed report and consolidated report will be presented by the CEO.

##### **1.2. Network development**

ABBANK opened 25 branches / sub-branches and 4 saving funds. At 31<sup>st</sup> Dec 2010, the bank had 110 branches and 5 saving funds in 28 provinces / cities. The bank shall continue to establish new points of sale in the potential areas.

##### **1.3 Risk management and internal controlling**

In 2010, the BOD directed the implementation of the risk management, internal controlling activities therefore indentified the potential credit risks and applied the drastic measures for those cases. The risk management system has been completed according to the international regulations.

##### **1.4 Charter capital increasing and convertible bonds issuance**

In 2010, ABBANK fulfilled its plan of charter capital increasing from 3,483 billion dong to 3,831 billion dong.

The bank had successfully issued 600 billion dong of convertible bonds to IFC and Maybank. Maybank purchased 120 billion dong of CBs in order to maintain its stake of 20% and IFC purchased 480 billion dong of CBs to own 10% of charter capital at ABBANK after the conversion time.

**1.5 Subsidiary company:** the An Binh Asset Management Company entered into operations and made profit in 2010. This company is expanding its scale and business operations.

## 2. Corporate Governance

### 2.1 BOD structure and activities

The current term of ABBANK BOD for 2008 – 2012 includes:

1. Mr Vu Van Tien – Chairman
2. Mr Dao Van Hung – Vice Chairman
3. Mr Nguyen Hung Manh – Member
4. Mr Abdul Farid Bin Alias – Member
5. Mr Mai Quoc Hoi – Member
6. Mr Nguyen Tri Hieu – Member

- In 2010, the BOD had called 5 periodic meetings and other 9 extraordinary meetings to promptly direct, solve arisen issues and promulgate its decisions relating to the business and operations which need the flexible measures in accordance with the reality and SBV guidance, to ensure for the bank operations in the best safety and steady growth for the purpose of year plan achievement.

- During the financial year, the BOD had changes in human resources: the shareholders voted for 1 new independent BOD member and 1 replacement of EVN member. The BOD re-assigned missions to each member and organized for more efficient corporate governance. The BOD also focused in construction of a 10 year development strategic plan and prepared for the establishment of the committees under the BOD.

### 2.2 Remuneration in 2010 for the Board of Directors and the Supervisory Board

Item	2010 Plan (approved by Shareholders Meeting of 24 March 2010)	Implemented in 2010 (dong)
Remuneration for the BOD and the SB	1% of profit before tax (equal to 6.37 billion dong) and allowed to paid up to 15% of the over plan profit (equal to 8.6 billion dong)	
- Remuneration paid to BOD		4,635,700,000
- Remuneration paid to SB		2,985,720,000

Other expenses of receptions, traveling for BOD and SB had been paid upon the bank regulations.

## II. PLAN FOR 2011

## 1. Business plan

At the beginning of 2011 the Vietnam economy has been faced with difficulties therefore the Government and SBV have promulgated monetary tighten policies and credit growth limit under 20%, the BOD proposes Shareholders to approve the business plan with two options below:

### Plan 1:

- Total assets to be increased of **26%** to 2010, being **48,000 billion dong**
- Charter capital: **4,200 tỷ đồng**
- Total deposit to be increased of **31.5%** to 2010, being **34,160 billion dong**
- Total lending to be increased of **19.89%** to 2010, being **24,000 billion dong.**
- Profit before tax to be increased **4.2%** to 2010, being **664 billion dong.**

### Plan 2 (in the case SBV loosens the credit growth of above 20% at the 3<sup>rd</sup> quarter):

- Total assets to be increased of **28.9%** to 2010, being **49,000 billion dong.**
- Chartered capital will be **4,200 billion dong.**
- Total deposit to be increased of **35.4%** to 2010, being **35,160 billion dong.**
- Total lending to be increased of **28.9%** to 2010, being **25,802 billion dong.**
- Profit before tax to be increased of **9.7%** to 2010, being **700 billion dong.**

We propose the Shareholders to authorize the BOD to switch to the plan 2 in the case SBV will loosens the credit growth limit to above 20% and the market situation would go to more favourable trend.

## 2. BOD activities

### 2.1 Corporate Governance enhancing

At the 1<sup>st</sup> quarter of 2011 the BOD has started the following activities to enhance its capacity of management to better competition and security for the bank business:

- Coordinate with IFC experts to organize a workshop on the Corporate Governance for the bank leaders in order to evaluate the BOD competence and put forward a plan for improvement to international rules on CG.
- Established the Division of CG and Support headed by a Maybank expert and started its operations since February. This Division helps the BOD to build up the system of CG principles to ensure for the bank will be well managed and controlled to the direction of shareholders benefit and related parties with the bases of transparent management and efficiency.
- To establish the Risk Management Committee and Human Resource Committee which will operate according to SBV regulations and those committees will help the BOD to complete the systems of risk management, HR management and developing policy for those activities in order to meet up with the growth and enhance the competitive capacity of the bank.
- Focus in the risk management and credit quality controlling, reducing the NPL and bad debt, market risk and operation risk controlling.
- Invest in technology to increase the service quality and management capacity and product developing.

### 2.2 Charter capital increasing

- In 2011 ABBank plans to increase its charter capital from 3,830,764,260,000 dong to 4,200,000,000,000 dong from the surplus fund. We propose the Shareholders to

approve the plan and authorize the BOD to set up the capital increasing plan including issuing plan, capital utilization and fulfill the formalities with the State Bank of Vietnam and the State Securities Committee to get their approvals. The schedule for capital increasing is in the 4<sup>th</sup> Quarter 2011.

- To prepare for the conversion of 600 billion dong of Convertible Bonds issued in 2010 to IFC and Maybank, we propose the Shareholders to authorize the BOD to fulfill the formalities to obtain the Government and SBV approval on the ownership ratio of foreign investors in ABBANK according to current regulations.

### ***2.3 Cooperation with strategic shareholders and customers***

In 2011 the bank continues to cooperate with Maybank, EVN and its related units, IFC to implement the programs of CG enhancement, risk management, HR training and management, products development and market share expanding.

## **3. Remuneration for BOD and SB**

With the scale expanding and business growth, the BOD and SB activities must put up with higher responsibilities, intensity and time devoted to the bank management and governance. We propose the Shareholders to approve the total amount of remuneration for BOD and SB of 2% of profit before tax of 2011. Other expenses for business travelling and public relations will be paid under the bank regulations. We propose the Shareholders to authorize the BOD and Chairman to decide the concrete level or remuneration to every Directors and SB members based on each assignment, duties and time devoted. The BOD shall have to report total expenses amount to next annual shareholders meeting for approval if the spending for remuneration is arisen beyond the plan. Besides, in the case the bank business result would exceed the plan, we propose the Shareholders to accept to pay bonus to the BOD and Board of Management a amount up to 15% of exceeded profit before tax.

## **III. CONCLUSION**

We believe with the BOD and Management ability, with the bank current capacity, ABBANK will overcome the difficulties to fulfill its target of business development. We thank the Shareholders for yours support and promise to achieve the targets in 2011.

The BOD proposed the Shareholders to approve this report on the BOD activities in 2010 and its plan for 2011 presented above.

Thank you.

On behalf of ABBANK BOD  
**Chairman**

**Vu Van Tien**