

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

Address: 198 Tran Quang Khai, Hanoi
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**REPORT OF BOARD OF DIRECTORS
SUMMARY OF THE TERM 2018 – 2023 AND ORIENTATION
FOR THE TERM 2023 - 2028**

I. REPORT ON ACTIVITIES IN THE TERM 2018 – 2023

1. Overview on business environment

The third term of the Board of Directors of The Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB) (2018-2023) took place amidst unprecedented events with many adverse impacts on the operations of commercial banks in general and VCB in particular, both in the international and domestic economic contexts.

- The global economy experienced relatively good growth in 2018, slightly decreased in 2019 due to the impact of the trade war between major economies, seriously affected by the Covid-19 pandemic in 2020, and recovered in 2021 thanks to the Government's support packages and the Central banks easing monetary policies. However, the recovery momentum slowed down in 2022 due to the impact of the Russia-Ukraine conflict and escalating inflation...
- The domestic economy fluctuated in line with the global economy. A bright spot during this period is that Vietnam's economy overcame many difficulties caused by the Covid-19 pandemic in 2020 to become one of the few economies achieving positive growth and belonged to the highest growth rate group in the world. An impressive rebound after the pandemic with a growth rate of 8.02% in 2022 contributed to boosting Vietnam's average GDP growth in this challenging period to reach 6%.

2. Summary of VCB activities in the term 2018-2023

In such volatile business environment, VCB stayed firmly with the target of **"Transformation - Efficiency - Sustainability"**, overcame many difficulties

and challenges, proactively adapted to changes in the business environment and international integration trends, strongly and comprehensively shifted business operations as well as management and governance.

VCB's key business indicators accelerated and breakthrough, with strong growth in retail credit, an increase in the proportion of low-cost funding, tight control of bad debts, continuous improvement of efficiency indicators, and high profitability. The network system is expanding, customer focus is paying attention to, the organizational model is being improved, and a series of transformation projects, programs, and digital transformation plans were and being implemented to gradually drive VCB towards the best international standards and practices.

i. Some key financial results for the period 2018 – 2022 are as follows:

- Total assets as of December 31, 2022 reached over 1,800 trillion VND, an increase of 1.8 times (nearly 800 trillion VND) compared to December 31, 2017, a continuous growth of about ~15% per year.
- Deposit mobilization increased sharply and maintained continuous growth in the context of increasingly fierce competition. Total mobilized deposit as of December 31, 2022 reached nearly 1,300 trillion VND, an increase of 1.7 times (over 500 trillion VND) compared to December 31, 2017. An average growth rate of ~15% per year, creating conditions for VCB to promote credit growth.
- Credit balance as of December 31, 2022 reached over 1,150 trillion VND, an increase of 2.1 times (nearly 600 trillion VND) compared to December 31, 2017, with an average growth rate of ~21% per year.
- Profit before tax increased 3.3 times, from ~11 trillion VND in 2017 to ~37 trillion VND in 2022, equivalent to an average growth rate of ~46% per year, affirming VCB leading position in term of profit in banking industry.
- Credit quality was improved continuously, with the non-performing loan ratio/total outstanding loans decreased and was controlled at a low rate. The non-performing loan ratio reduced from ~1.11% at the end of 2017 to 0.68% at the end of 2022, being the leading bank in term of asset quality.
- Profitability ratios of asset and shareholder equity were relatively high

compared to the industry average.

Some key financial indicators for the period of 2018-2022 are presented in Appendix 1 of this report.

ii. Strong transformation in strategic planning activities.

- Drastically implemented and accomplished the basic tasks set out in "VCB's Restructuring Plan in combination with bad debt settlement to 2020".
- Completed and submitted to the State Bank of Vietnam (SBV) for approval of the "VCB Development Strategy until 2025, with a vision to 2030".
- Set up and implemented synchronously sub-projects (including IT, Services, Investment, Human Resources) and Action Programs of Divisions/Groups (Wholesale, Retail, Finance, Compliance and Risk, and Treasury). The main orientation and core solutions of Project, sub-projects, action programs of Divisions/Groups have been implemented in line with the orientation, creating a platform for sustainable development of VCB in the coming period.

iii. Network expansion; completion of internal procedure and regulation, creating a favourable mechanism for business activities.

- The network expansion and development has been continuously implemented with a clear direction, increasing the total number of branches from 101 (in 2017) to 121 branches (in 2022). During this period, VCB has established its subsidiary bank in Laos and opened a representative office in the United States for official operation.
- Reviewed, amended, supplemented and set up new procedures, mechanism of policy in business operation and management to adapt to the change in the legal framework and business environment.
- In the field of human resource, related procedures and mechanism were reviewed and supplemented to create incentives for the bank work force. Organization chart, mandate of Head Office & Branch have been standardized and improved.

iv. Reasonable human resource allocation for risk management, became the first bank in Vietnam to meet the Basel II risk management standard.

- Continued to strengthen the inspection and supervision of credit activities at all branches, strictly complied with legal regulations and VCB's regulations on

credit granting.

- Improved the risk management system centralized at the Head Office in accordance with legal regulations and management practices, actively implemented initiatives under the Basel II Capital Accord, and became the first bank in Vietnam to meet the Basel II risk management standards in 2019.
 - Assigned members of the Board of Directors to direct some branches with significant debt problems of the system, strengthen supervision, and direction of debt collection handling for each branch.
- i Innovation and consolidation of staff management and training to improve the quality of human resources and the engagement between employees and the bank*
- Implemented all procedures from recruitment to planning, appointment, rotation, and evaluation publicly, transparently, and effectively.
 - Completed and promulgated internal human resource management regulations synchronously per actual requirements and the provisions of the law.
 - Continue to rotate leaders and employees, and arrange appropriate use of labor. Renovate and strengthen training in the direction of centralization, improving the quantity and quality of training courses.
- ii Drastically implementation of solutions to modernize IT infrastructure and transformation projects to improve governance capacity towards international standards*
- Regularly invest in upgrading, expanding, innovating, and developing technology infrastructure by spending a reasonable annual budget on investment in equipment and advanced and modern technological solutions; arrange highly qualified human resources to ensure the stability and availability of the system; synchronously promulgate regulations to control system security.
 - Develop a specific roadmap and closely follow the roadmap of many vital projects, such as: Transforming the Wholesale Model (CTOM), Transforming the Retail Model (RTOM),... Completed many vital projects such as Core banking, Basel II...
 - Promulgating the Digital Transformation Action Plan to 2025, with a vision to

2030 with 15 specific goals, promulgating the Transformation Action Plan to implement the Digital Transformation Action Program.

iii Society and community contribution enhancement through expanding the scope and scale of contributions

- Supported the prevention and control of Covid-19, making efforts to accompany the Government in fighting the epidemic; continued to implement social security programs in the fields of health, education, hunger eradication, and poverty reduction, etc. in remote, border and island areas; created an image of a green bank that is always community-oriented and for the community.
- Through social security activities, VCB's reputation, brand, and social responsibility have been recognized and appreciated by the community.

iv Standardizing and promoting external relations, PR, and investor relation activities to enhance VCB's position and image internationally

- Proactively and actively participated in activities organized by regional and international professional associations and organizations (annual forum of WB-IMF, World Economic Forum, Association of Asian/Eastern Banks South Asia, ...), seeking business cooperation opportunities, enhancing the position and reputation of VCB.
- Continued to perform good information disclosure in compliance with legal regulations and constantly improve its transparency. Maintained regular contact with investors and shareholders with good quality information; VCB's investor relations (IR) work has been recognized and appreciated by many institutional investors.

3. Shortcomings

Apart from its positive achievements, VCB's activities in the period of 2018-2023 also had certain limitations, specified as follows:

- Facing fierce competition from domestic and foreign commercial banks, maintaining and improving VCB's market share in some business areas such as cards, bancassurance... have not met expectations.
- VCB has orientation and efforts to increase the proportion of non-interest income. However, the proportion of interest income in total income is still

high compared to the regional and international modern bank model.

- VCB's capital adequacy ratio CAR is above 10%, meeting the minimum requirements under current regulations of the State Bank but lower than some banks in the region. Therefore, the increase of charter capital should be implemented in line with the annual growth rate in the coming period while helping to increase the buffer for risks that may arise during business operations, ensuring the capital adequacy ratio.

4. Evaluation of the performance of the Board of Directors and Board of Management

The Board of Directors (BOD) for the 2018-2023 term was elected at the 11th Annual General Meeting of Shareholders in 2018 with eight members. The current number of members of the Board of Directors is seven members because during the term, three members were dismissed/retired from holding positions, and two additional members were elected. During the tenure¹, the Board of Directors held ~290 meetings and collected the opinions of BOD members by voting more than 340 times.

The BOD has drastically directed the implementation of the tasks assigned by the General Meeting of Shareholders (GMS) and achieved and exceeded the planned targets approved by the GMS. At the annual meetings of the GMS, the BOD made specific reports on the performance of tasks assigned by the GMS each year. The overall assessment of the performance of duties of the BOD and the Board of Management (BOM) is as follows:

- The BOD and BOM have flexibly and decisively directed the bank's operation in close view of complicated market movements. The directives of management are set explicitly for every year and are strictly followed by the BOD and BOM during their fulfillment of the assigned tasks
- The BOD has frequently directed BOM to implement tasks assigned by the AGM; quickly adjust the orientation to adapt to changes in the SBV's policies and the business environment.
- The BOD has assigned specific tasks to each member, set up the Supporting Committees, and maintained the regular mechanism of monthly meetings as

¹ Since May 2018 to December 31, 2022

well as standing meetings to deal with arising issues timely.

- The BOD and BOM have closely directed and managed VCB's operations. In addition, the BOD and BOM maintain regular exchanges to discuss thematic orientations such as periodical business directions, building and strengthening the IT system, and risk management strategy,...

Overall, Board of Directors and Board of Management have made great efforts to accomplish all tasks assigned by AGM; directed and managed Vietcombank's operation towards strategic direction and all targets set for the period from 2018 to 2023. In the term 2018-2023, VCB has achieved impressive and comprehensive results, especially breakthroughs in business activities and banking governance. The operating principles of the BOD and BOM are always maintained and thoroughly understood throughout their duties: acting in a harmonious relationship for the interests of stakeholders, the State, the Bank, and society.

II. DIRECTION FOR 2023 - 2028

Based on the results of the last term, key directions for Vietcombank during the period of 2023 – 2028 are to realize the strategic objectives to 2025 as a solid foundation for further breakthroughs; to take advantage of its strengths; make the most use of all opportunities; flexibly aggressively and drastically stimulate growths in all business lines; ensure safe, efficient and sustainable development.

Main directions and key targets are as follows:

i Development model, organization and network structure:

- Further improve organization model towards modern multi-functions financial group under international standards and practices. Such improvement should go along with strengthening management and business capability.
- Operate under customer-centric centralized management model. Complete and standardize HO and branch's function to best serve customer and well perform the risk management function.
- Develop and expand distribution network, combined with the development of electronic distribution channels to optimize performance of units within the system. Study to gradually expand the overseas network.

ii Treasury, credit and investment:

- Implement synchronously and effectively fund mobilization solutions, actively balance between fund mobilization and usage, ensuring liquidity and maximizing business efficiency. Continue to shift funding structure toward increasing low cost funding portion.
- Promote credit growth along with maximizing safety, efficiency, credit quality control, NPL ratio control. Focus and prioritize retail credit development.
- Review and restructure investment portfolios; increase the management effectiveness of the investment into subsidiaries to enhance investment efficiency and contribution to the Bank's overall business results.

iii Other business areas:

- Diversifying banking products and services for all types of customer, gradually increase the proportion of fee-based income in total income.
- Promote treasury development through foreign exchange trading and other derivatives products.
- Maintain market share and market position in card services and international settlement.
- Standardize the traditional products and services together with research to provide advanced products, generating competitiveness.
- Enhance the supply chain sales, cross selling, bundle product to cross sell to specific customer, satisfy customers' need, improve Vietcombank competitiveness.

iv Risk management:

- Gradually apply international standards into risk management, improve system's risk management culture.
- Continue to improve risk management system by enhancing the operational efficiency of all levels in the risk management system as well as the efficiency of inter-departmental coordination. Improve capacity, optimally equip the internal inspection and audit capacity to ensure the good performance of the 2nd and 3rd lines of defense.
- Enhance risk management capability through comprehensive solutions; focusing on completion of model for risk measurement and management in

banking operation; formulating a complete and advanced system of risk management policy and tools.

- Ensure safety ratios following the guidelines of SBV and pioneer in applying international practices.

v Human resources management:

- Manage human resources following best international practices, complete human resources policy to accurately assess, acknowledge and reward contribution of each individual and each department to optimize the value creation and enhance work force efficiency.
- Reform the staff recruitment, planning, and appointment process to ensure publicity, transparency and suitability (right person for right position). Enhance staff rotation, especially for potential candidates for high level management positions.
- Strengthen training activities to improve human resources quality. Restructure training activities, focus on modern training methodology, and supplement qualified human resources with professional skills for training activities.
- Continue to improve the salary and bonus policy based on employees' competency and contribution with the aim of motivating Vietcombank staff to dedicate to the bank's development.

vi Digitalization:

- Promote the comprehensive digital transformation process at the bank, actively implement digital transformation projects to gradually reduce operating costs and improve customer experience

vii Other tasks:

- Improve the quality of management and use of VCB's brand name. Improve the effectiveness of communication, advertising and brand positioning. Transparency of information, strengthening investors relation. Enhancing the brand's position in domestic and foreign markets.
- Upgrade and modernize the information technology system to best meet the increasing requirements of the scale and complexity of VCB's operations, ensuring synchronization with transformation projects and aiming to be advanced in information technology infrastructure.

viii Key targets:

The Board of Directors will direct the formulation of main business targets and submit to AGM for approval on an annual basis. Orientation for some key targets expected for the period of 2023 - 2028 is as follows

Indicator	Orientation
Total assets growth	9-10%
Credit growth	12-14%
Deposit growth, in line with credit growth	10-11%
ROE	17-18%
NPL ratio	< 1,5%
CAR	10-11%

The term 2023 - 2028 will continue to pose many new opportunities and challenges for the entire VCB system. We believe that the Board of Directors for the new term will continue to promote the solid foundation that has been achieved, strive to successfully complete the tasks assigned by the AGM and bring Vietcombank to the new development, integrating to international and regional banking industry.

ON BEHALF OF THE BOARD OF DIRECTORS

CHAIRMAN

Pham Quang Dzung

APPENDIX 1

KEY PERFORMANCE INDICATORS

For period 2018 - 2022

Indicator	2018 (audited)	2019 (audited)	2020 (audited)	2021 (audited)	2022 (audited)
Operational					
Total Assets (bn VND)	1,074,027	1,222,814	1,326,230	1,414,986	1,813,815
Charter Capital (bn VND)	35,978	37,089	37,089	37,089	47,325
Ownership Capital (bn VND)	62,179	80,954	94,095	109,186	137,988
Credit (bn VND)	639,549	741,387	845,128	972,680	1,156,148
Deposits (bn VND)	827,732	949,835	1,053,354	1,152,712	1,257,806
Profit before tax (bn VND)	18,269	23,212	23,050	27,486	37,359
Profit after tax (bn VND)	14,622	18,597	18,473	21,997	29,919
Number of employees	17,215	18,948	20,062	21,670	22,619
Incremental branch	-	5	5	10	-
NPL (%)	0.97%	0.72%	0.62%	0.63%	0.68%
Annual growth					
Total Assets	4%	14%	8%	7%	28%
Credit	15%	16%	14%	15%	19%
Deposits	13%	15%	11%	9%	10%
Profit before tax	61%	27%	-1%	19%	36%
Profit after tax	60%	27%	-1%	19%	36%
Profitability					
NII/TOI	28%	24%	26%	25%	22%
CIR	35%	35%	33%	31%	31%
ROAA	1.4%	1.6%	1.4%	1.6%	1.9%
ROAE	25%	26%	21%	22%	24%
LDR	79%	79%	81%	85%	92%
CAR (*)	12.14%	9.60%	9.56%	9.31%	10.09%

(*) CAR is calculated under Circular 41/2016/TT-NHNN dated 30/12/2016 (Basel II)