

**JSC BANK FOR
FOREIGN TRADE OF VIETNAM**

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

Hanoi, 26th June 2020

**REPORT OF THE BOARD OF DIRECTORS
ON 2019 OPERATION AND 2020 ORIENTATION****I. OPERATION REPORT OF 2019****1. Highlights and overview:**

In 2019, the world economy changes unpredictably. Major economies have slowed down growth, more intense international trade competition, the global economy is negatively impacted by US-China trade war. In this context, Vietnam market still proves its attractiveness with great openness and potential as a dynamic economy, a bright spot of high growth in the region and internationally. This is the second consecutive year that 12/12 socio-economic targets have been completed, including 7 targets exceeding what have been specified in the National Assembly Resolution, GDP growth reached 7.02% while CPI is under controlled at low level; Vietnam's ranking, position and prestige are enhanced on the international market.

The banking industry in 2019 continued to achieve successes and bore many significant imprints of managing monetary policy: The liquidity of credit institutions was more stable; Fx market, exchange rate remained stable; lending interest rates continued to decline and reached the lowest level in the last 10 years; credit growth was in-depth, focusing on effective business areas, contributing positively to the growth of GDP. Meanwhile, the number of banks meeting Basel II standards increased, asset quality of the banking system was improved, NPL ratio of the whole industry decreased to less than 2%. Results of State credit institutions restructuring is a bright spot in State Corporate Restructure process regulated in Central Resolution No.12.

2. Missions assigned by the General Shareholders Meeting

At the Annual General Shareholders Meeting (AGM) in 2019, the Meeting ratified the following:

- ✓ 2019 motto: "**Transformation - Effectiveness - Sustainability**"; management orientation "**Discipline - Action - Responsibility**".

3. BOD REPORT

- ✓ Several basic targets for 2019: total assets increased by 12%, outstanding loans increased by 15%, deposit increased by 11-13%, consolidated profit before tax to reach VND 20,000 billion - increased by 9.5%, dividend paid at 8% (per face value), NPL ratio below 1% of total loans ...
- ✓ The 2019 remuneration for BOD and Supervisory Board at maximum of 0.35% of profit after tax in 2019 in case of fulfilling basic business operation targets in 2019.

3. Review the implementation of the missions assigned by the AGM

Grasping the motto “**Transformation – Effectiveness – Sustainability**” and the management orientation “**Discipline – Action - Responsibility**”, shifting business toward 3 pillars: Retail, Treasury and Service; continuing to restructure the operation; ensure quality, safety, effectiveness and sustainable growth, the BOD have directed in a timely and rigorous manner the operation of Vietcombank right from the beginning of the year in accordance with the orientation proposed throughout the year.

With determination and effort of the whole system, at the end 2019, VCB has fulfilled and exceeded the targets set out by AGM, becoming the leading bank in terms of profit and asset quality in the banking system.

Reviewing the implementation of missions assigned by the AGM:

a) Business operation outcomes:

In 2019, Vietcombank continued to record outstanding growth and achieved impressive results in almost every field of operation; achieved and exceeded the targets set by the AGM.

- Total assets reached VND 1,222,719 billion, up 13.8% compared to 2018, complete 102% of the target set by AGM .
- Loan outstanding was VND 741,387 billion, up 15.9% compared to 2018, within the ceiling of credit growth target assigned by State bank Governor.
- Total deposit reached VND 949,835 billion, up 15.4% compared to 2018, complete 102% of the plan set by AGM.
- VCB continues to strictly control credit quality and promote bad debt handling. The balance of NPL in the balance sheet was VND 5,804 billion, NPL ratio was 0.78%, while the risk reserve was at VND 10,417 billion. The ratio of provision/NPL was 179%, reaching the highest level in VCB's operations.
- Profit before tax reached VND 23,122 billion (equivalent to USD 1 billion), an increase of 26.6% compared to 2018, reaching 116% of the 2019 plan assigned by the General Meeting of Shareholders.

(For more details, please see BOM's report).

b) Management activities

The bank's management activities were paid special attention by the BOD with highlights of 2019, including:

✓ **Network, human resource and training**

- Opening 5 new branches and establishing 6 transaction offices as approved by SBV, total number of transaction office includes 111 branches and 437 transaction offices. Representative Office in the US has been opened and the bank has been approved by SBV to open a branch in Australia.
- Increasing labor productivity, Profit before tax/person in 2019 reached 1,681 million VND/person, complete 112% of 2019 plan. The scientific research and activities of the Scientific Council were promoted.

✓ **Digital transformation**

- Approving the roadmap for whole-bank digital transformation.
- Actively implement the Digital Banking Transformation project to serve the bank's closed digital transformation strategy.
- Establishing the apparatus of digital transformation and planning human resource for the execution of digital transformation.

✓ **Transformation projects**

In 2019, VCB completed 27 projects, completed the Wholesale Model Transformation (CTOM) and is continuing to implement 44 projects (40 of which belong to 2 programs/schemes). Specifically:

- IT development project up to 2020: The project implementation has many positive changes in 2019, many projects are completed in the year.
- Basel II Program: 12 initiatives are underway. Most of implementation initiatives have their applications in business and management activities. At the same time, VCB has been approved by the SBV to apply Circular No.41 dated 01/01/2019.
- The remaining projects: Basically implemented on schedule. The Retail Model Transformation Project (RTOM) has been implemented since the beginning of 2019 and has completed testing at several branches, result reports have been approved.

- ✓ **Assess credit activities according to Government guidelines at Resolution No.1/NQ-CP dated 01/01/2019 and Governor guidelines at Decree No.01/CT-NHNN dated 08/01/2019**
 - Continue to focus on manufacturing sector, prioritized sectors according to Government policy.
 - Continue to strictly control risky sectors such as real estate, securities; improve risk management with BOT project, traffic BT, consumer credit.
 - ✓ **Other management activities:**
 - BOD continues to give guidance and periodical review and assess the implementation of VCB restructuring plan until 2020 associated with dealing with bad debts, 4 sub-schemes and 4 action programs to realize schemes.
 - BOD have approved and issued VCB Development Strategy to 2025, vision until 2030; sub-schemes, action programs of units to implement the strategy.
- c) **Implementation results of AGM 2019 key targets** (*as in Appendix 01*).

4. Assessment on the performance of the BOD and BOM

In 2019, BOD organized 62 meetings. In monthly meeting, the BOD evaluated business performance and implementation of BOD members' assigned tasks. Based on such evaluation, BOD issued Resolution to direct business operation, assigned specific tasks to each BOD member and supervised BOM implementation in compliance with the Bank's Charter, Regulation on the Organization and Operation of the BOD, Internal Corporate Governance Regulation and other relevant regulations of the Bank

In 2019, grasping positive changes of the local economy, BOM directed and supervised closely following the direction set out by BOD as well as stick to the medium and long term objectives and specific targets for the year 2019 as assigned by the AGM and the BOD.

The member of BOD and BOM always placed shareholder and the State interests, as the first objectives, and performed well the management responsibilities and fulfilled the assigned tasks.

5. Assessment on the performance of the Committee

✓ **Risk management Committee**

The Risk management Committee advised BOD on approving appropriate policy and orientation suitable to each period regarding risk type, including the identification

of rate, limit/restriction and risk tolerance of the bank.

In 2019, the Risk Committee organized 4 periodical meetings, coordinated with relevant departments to continue to finalize and complete VCB's regulation, and advised the BOD the strategy, risk management policy, measures to prevent risk in various fields of the operation.

✓ **Human Resources Committee**

Human Resource Committee plays a role in advising the BOD on the scale and structure of the BOD and the Managers suitable with the scale of operation and development strategy of VCB; advising BOD in reviewing, evaluating and proposing the election, appointment, dismissal, planning of managerial staff under BOD and remuneration for these staff to ensure consistent with the orientation and business plan of the Bank in each period.

In 2019, the Human Resources Committee continued to actively and proactively advise, propose the staffing, appointment and management officer under authority; finalized the document system and policy in staff management, contributed to enhancing the capacity and quality of staff management

II. ORIENTATION FOR THE OPERATION IN 2020

1. Basis for business operation in the year 2020

Due to the complicated movements of the Covid-19 pandemic, production and business activities were affected, as a result 2020 macro indicators were adjusted accordingly. The policies to support businesses have been implemented, the monetary policy continues to be actively and flexibly operated in accordance with new circumstances; credit growth of the industry is expected at 10%.

Based on the objectives and roadmap to implement VCB Restructuring Plan to 2020 approved by the State Bank Governor.

2. 2020 business orientation:

Continue the motto ***Transformation – Security - Effectiveness - Sustainability with the focus on deep growth*** and management orientation ***Responsibilities - Action - Innovation***, the Bank continues to make best efforts to boost its operation, successfully implement the plan following the Government guidelines and duties assigned by SBV.

Main orientation in some specific fields as follow:

a) Business activities:

✓ ***Focus: implement 4 pillars in business structure transformation:***

3. BOD REPORT

- Gradually reducing the credit growth rate, in association with sustainable effective credit restructuring: Increasing proportion of retail outstanding loans based on RTOM project;
- Increase the proportion of non-credit income, with a focus on service income and treasury trading investment;
- Restructuring deposit portfolio towards efficiency and sustainability.
- Improve product development, provide competitive product and service on new technology platform to maximally meet customer demand.

✓ ***Deposit***

- Flexibly & effectively manage deposit; grow deposit in accordance with fund usage, ensure efficiency;
- Deposit restructuring towards efficiency and sustainability, increasing corporate fund mobilization.
- Focus on cheap deposits. Strive to increase demand deposits and cheap deposit.
- Increasing the sale of non-credit services, chain sales, cross-selling of products, cash flow management to exploit new capital.
- Managing competitive interest rates in the market

✓ ***Credit***

- Credit growth associated with strict control of credit quality and credit restructuring to improve quality effectively.
- Rearrange the development of credit portfolio so that growth goes along with security and effectiveness post Covid 19.
- To harmonize the growth of wholesale and retail credit growth in 4 quarters of the year so that priority is given to retail & credit growth through transaction offices.
- Continue to restructure the wholesale credit portfolio so that efficiency is improved associated with developing new customers
- Increase outstanding loan ratio to large FDI customers with low credit risks and the potential to use overall services given the sector credit orientation of VCB.
- Increasing the proportion of retail loans. Develop credit loans under the program. Focus on intermediate and high-end customer segments. Developing products suitable to customer segments, standard products, asset management products, production and business sectors, car purchases, and retirement loans.

- Focus on credit growth in terms of manufacturing sector, prioritized program, credit policy of the Government and Prime Minister; increase solution to limit black credit; conduct solution for corporate and citizen to approach the funding source.
 - Implement measure to prevent the pandemic, support customers who affected by Covid 19 according Government guidelines, Prime Minister's and Governor's instruction.
 - Focus on short-term credit growth. Applying measures to control the ratio of medium and long-term credits associated with efficiency, ensuring the compliance of regulatory ratio by SBV.
 - Accelerate the processing of credit document; focus to solve technical bottlenecks.
 - Focus on promoting new customer with good financial ability.
- ✓ ***Credit Quality***
- Ensure NPL ratio as planned .
 - Strictly control credit in risky sectors and improve the risk management with consumer credit.
 - Strictly control quality of credit portfolio of each branch and whole system, early settle newly arraised issues.
 - Continue to strengthen inspection of credit activities at all the branches; strengthen cross checking of credit, especially retail credit, credit activities at transaction offices according to VCB regulation; in accordance with the Law and VCB credit regulations. Prevent moral risks, strictly handle violations.
 - Strengthen the debt collection at branches.
- ✓ ***Services***
- Concentrate to drastically grow service revenue, focusing on foreign exchange trading products, trade finance, electronic banking, cards and bancassurance.
 - Continue to effectively implement the policy of transferring credit income to fee income.
 - Improve service quality and enhance sales activities ..
 - Focusing on banking services products for wholesale customers.
- ✓ ***Investment banking***

- Improve profitability of investment banking activities. Increasing the contribution proportion of investment banking activities in total operating income of VCB.
 - Increase the scale and proportion of investment in bond of credit institutions.
 - Develop a process to coordinate and synchronize solutions between VCB, VCBS, and VCBF, build a benefit sharing mechanism in the distribution of investment banking products.
- ✓ ***Business profit:*** Due to impact of Covid 19 pandemic, propose: AGM to assign VCB BOD to implement 2020 financial plan according to SBV guidelines.

b) Management

✓ ***Organization model, network:***

- Rearranging Retail group according to approved policy.
- Continuing to expand network domestically and abroad: speeding up the establishment of a branch in Australia, establishing new branches and transaction offices of VCB.

✓ ***Human resource management:***

- Promulgating and implementing new policies according to the roadmap of human resource development and management project.
- Continue to increase the proportion of sales staff and work force which is suitable for digital banking.

✓ ***IT:***

- Upgrading IT systems to ensure high availability for important applications, strengthening IT governance close to international standards.

✓ ***Digital bank***

- Deploying the operation of Digital Banking Center right in the first quarter of 2020.
- Supplement and complete the internal processes and policies to deploy digital banking, ensure safe services and comply with the provisions of law.
- Focus on deploying Digital Banking Transformation project with quality and on schedule.

✓ ***Transformation projects:***

- Concentrating resources, speeding up and ensuring the quality of key projects being implemented to realize the goal of being the market leader in Retail and Digital Banking.

✓ ***Other activities:***

- Focus on improving the efficiency of operational risk management. Strengthen internal inspection and auditing. Monitoring the implementation results of inspection, auditing and remotely supervision recommendations for Branches and Subsidiaries in the VCB system.
- Focus on promoting non cash payment services.
- Focus on development new competitive product to meet customer demand
- Improve the efficiency of cost management, closely monitor the budget plan, reduce recurrent operating costs, control operating expense/income of the whole bank.

Given the achievements in 2019, the Bank is strengthening its solid foundation to continue developing and achieving stronger break-through in the future.

With the determination of the BOD, BOM and employees throughout the Bank's system, Vietcombank will certainly make full efforts to complete and exceed the targets set forth by the AGM, bring Vietcombank to a new phase of development towards realizing the strategic vision to become the Number 1 bank in Vietnam, among 100 leading banks in the region, ranking among 300 biggest financial groups in the world, underpinned by global best practice.

**ON BEHALF OF THE BOARD OF
DIRECTORS
CHAIRMAN
Nghiem Xuan Thanh**

APPENDIX 1

PERFORMANCE OF TARGETS ASSIGNED AT 2019 AGM

Unit: VND billion

No	Criteria	2018	2019 target	2019	2019/2018	2019/ 2019 target
1	Total asset	1,074,027	1,202,910	1,222,719	113.8%	101.6%
2	Credit ^(*)	639,370	741,878	741,387	115.9%	99.9%
3	Deposits	823,390	930,431	949,835	115.9%	102.1%
4	Profit before tax	18,269	20,000	23,122	126.6%	115.6%
5	Number of employees	17,215	Grow less than 12%	18,948	110,1%	As planned
6	Salary cost over profit before tax excluding salary	30%	37%	27%		As planned
7	Number of new branches	5	6 ^(***)	5		As planned
8	NPL ratio	0.97%	Under 1%	0.78%	Better NPL control	Better NPL control

** Including corporate bond*

*** Including 5 domestic branches and 1 branch in Australia in case of SBV approval*

APPENDIX 2

2020 KEY TARGETS TO BE SUBMITTED TO THE AGM

Unit: VND billion

No	CRITERIA	2019	2020 target	GROWTH
1	Total asset	1,222,719	1,308,309	7%
2	Credit	741,387	815,525	10%
3	Deposits	949,835	1,025,822	8%
4	Profit before tax	23,122	^(*)	^(*)
5	Number of employees	18,948	Grow 12%	
6	Salary cost over profit before tax excluding salary	27%	37%	
7	Number of new branches	5	5	
8	NPL ratio	0.78%	< 1.5% ^(**)	
9	Dividend (% per face value)	8%	8%	

() Submit to AGM to assign VCB BOD to implement 2020 financial plan in accordance with progress of Covid 19 and SBV guidelines.*

*(**) VCB has set a target of 1.5% NPL ratio in 2020, higher than the executed ratio of 0.78% in 2019 due to the impact of Covid-19 pandemic.*

3. BOD REPORT