

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

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

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THE BOARD OF MANAGEMENT'S REPORT

I. BUSINESS PERFORMANCE IN 2021

The global economy has gradually recovered after vaccine roll-out and reopening of economies. The IMF estimated that the global GDP growth rate in 2021 was about 5.9%, with challenges lying ahead. Supply chain disruptions continued to push up inflationary pressure in the second half of the year. As a result, many central banks have tightened monetary and fiscal policy as well as planned to raise interest rates. Nevertheless, the rapid spread of new virus variants posed a big threat to the global economy recovery progress.

Since Mid-October 2021, the Vietnamese government has adopted new guidelines on safe adaptation to the COVID-19 pandemic, which is '**Safe adaptation, flexible and effective control of the COVID-19 pandemic**'. Afterwards, the economy progressively recovered in the fourth quarter, following a steep decline in the third quarter. The GDP growth rate in 2021 reached 2.58%. The manufacturing sector gradually recovered, and the processing and manufacturing industry increased by 6.01%. Besides, import and export activities continued to be outstanding with a total turnover of \$668.5 billion, up 22.6% over last year and a trade surplus of \$4 billion. The average CPI in 2021 increased by 1.84%, the lowest rate since 2016. However, there exist challenges due to the complicated and unpredictable developments of the COVID-19 pandemic, market turbulence and changes in international policies.

Under the threat of COVID-19 resurgence, banking sector has been

playing a vital role in supporting the economy and actively proposing solutions to support customers such as interest rate reduction, debt restructuring and cost reductions, while strictly controlling credit quality, increasing provision for credit risks, minimizing operating costs, etc. The credit growth rate in 2021 reached 13.53%, along with high system's liquidity stability and increased foreign exchange reserves.

1. Business performance of VCB in 2021

In spite of challenging socio-economic environment, Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB) succeeded in achieving “multiple goals”: preventing COVID-19 pandemic effectively; ensuring the wellbeing of employees; sharing difficulties with customers; and maintaining business continuity. In 2021, most business targets assigned by the General Shareholders' Meeting and the Board of Directors have been achieved.

1.1. Strictly implemented COVID-19 pandemic prevention and control measures while sharing difficulties with enterprises and individuals

- ✓ Actively found vaccine sources and implemented early vaccination for employees and families to ensure safety and health.
- ✓ Adjusted management and operating strategies to adapt to harsh conditions; organized teleworking and shift work to maintain business continuity and ensure adequate, seamless and timely provision of banking services, even in time of social distancing according to Directive No.15 and Directive No.16.
- ✓ Improved policies, digitalized processes, and promptly deployed online transaction solutions to support enterprises and individuals.
- ✓ Synchronously implemented solutions to support and accompany enterprises, individuals and households affected by the COVID-19 pandemic through interest rate support packages, fee and interest rate reduction, and loan restructuring.
- ✓ Total restructured debts of customers affected by COVID-19 pandemic

without re-classification were VND 10,540 billion (outstanding principal and interest balance were approximately VND 9,410 billion and VND 1,130 billion respectively).

- ✓ Participated in numerous social welfare activities, especially COVID-19 pandemic prevention programs. Total commitment value for social welfare activities reached about VND 723 billion, of which VND 246 billion was contributed by employees and welfare fund; VND 381 billion was donated to COVID-19 pandemic prevention and control activities.
- ✓ VCB remained the largest payer to State budget in the banking sector (about VND 11,000 billion).

1.2. Deposit growth and deposit portfolio structure transformation were in line with predetermined direction

- ✓ Total customer deposits were VND 1,152,712 billion, up 9.4% compared to 2020.
- ✓ The proportion of demand deposits reached 35.1% (3% higher than 2020).

1.3. Promoted credit growth since the beginning of the year; shifted credit portfolio structure towards safety and efficiency; controlled and improved credit quality

- ✓ Credit balance reached VND 972,680 billion, up 15% compared to 2020, within the credit growth limit allowed by the State Bank of Vietnam (SBV).
- ✓ Strictly controlled credit quality: special mentioned loan ratio (group 2) was 0.36%; NPL ratio was 0.63%.
- ✓ VCB has fully made specific provision for loans restructured (100%) according to Circular No. 03 – two years earlier than the SBV’s regulation. The loan loss coverage ratio reached the highest level in the banking sector.

1.4. Impressive results in turnover and customer development:

- ✓ Card payment/usage turnover rose by 19.2% compared to 2020.
- ✓ New wholesale deposit and credit customers increased by 33.2% and 45.2% compared to 2020 respectively.
- ✓ New E-Banking and individual customers increased by 29.4% and 4.9% compared to 2020 respectively.
- ✓ Foreign currency sales grew by 13.2% compared to 2020.
- ✓ International settlement - trade finance turnover rose by 23.7% compared to 2020. Market share was 15.36%.

1.5. Outstanding business results; positive service income growth

- ✓ Profit before tax target assigned by the SBV and the General Shareholders' Meeting was achieved.
- ✓ Income from service and trade finance increased by 12.1% compared to 2020, accounted for 16.5% of total income.
- ✓ Income from recoveries of written-off loans reached VND 2,912 billion, up 20.3% compared to 2020.
- ✓ ROAA and ROAE increased significantly compared to 2020, at 1.60% and 21.59% respectively.

1.1. Largest market capitalization among listed banks

- ✓ VCB's market capitalization was ~\$16.7 billion, which solidified the leading position among listed banks.

1.2. Fully complied with bank regulatory ratios

- ✓ VCB fully complied with safety requirements in banking operations in accordance with the SBV's regulations.
- ✓ The capital adequacy ratio (CAR) was 9.31%.

2. Management activities in 2021

With safe adaptation, flexible and effective control of the COVID-19 pandemic in the system, VCB consistently implemented the motto "Transformation, Efficiency, Sustainability", focusing on implementing 03 initiatives and 05 breakthroughs in 2021.

2.1. Managed mobilization activities in balance with funds usage and market situation; continued to restructure sources of funds to control input costs.

2.2. Focused on credit growth since the beginning of the year with a variety of new products introduced and effective management policies.

2.3. Successfully directed and managed the implementation of 03 business pillars:

✓ **“Retail”** pillar: continued to strengthen the foundation of the retail sector, including processes, policies, products and services improvements; step by step deployment of products, services, and utilities on digital channels.

✓ **“Service”** pillar: introduced preferential price policies, boosting transaction volume and turnover. Stepped up the development of new products and services; increased the utility of existing products and services.

✓ **“Investment”** pillar: fostered cooperation in the distribution of investment banking products to wholesale customers.

2.4. Implemented digital transformation to improve service quality and customer experience; automated and optimized operations.

2.5. Tightened credit quality control; promoted recovery of non-performing/written-off loans; develop appropriate solutions for restructured debt in accordance with Circular No. 01, Circular No. 03, Circular No. 11, and Circular No. 14.

- 2.6. Completed the organizational structure and developed distribution network; promoted training activities in the form of online training, E-Learning.
- 2.7. Reviewed and accomplished a variety of internal policies, regulations, and procedures.
- 2.8. Effectively implemented communication and investor relation activities; ensured the transparency, timeliness of information disclosure to enhance brand value, reputation, and trust of the market and public in VCB.
- 2.9. Increased charter capital from VND 37,089 billion to VND 47,325 billion in accordance with the stock dividends payment plan from the retained profits in 2019.

II. BUSINESS STRATEGY IN 2022

Global economic growth prospects are threatened by the Russia-Ukraine war. As geopolitical crisis escalates, forecasts become uncertain when commodity prices soared. Since inflation increased, central banks stepped up the process to shrink economic stimulus packages and raise interest rates.

Major tasks of the Government in 2022 are associated with 16 words **"Unity and discipline, proactive adaptation, safety and efficiency, recovery and development"** to achieve the GDP growth target of 6-6.5%, while continuing to prioritize macro-economic environment stability and control inflation below 4%.

Vietnam still plays an important role in the global value chains. The implementation of FTAs and the increase in post-pandemic demand would boost Vietnam's import and export activities. FDI inflows are expected to remain stable after Vietnam has established a balance between pandemic control and economic development.

The VND 350,000 billion economic stimulus package has been approved, public investment disbursement will continue to be accelerated in 2022 and in the last years of the 5-year socio-economic cycle from 2021 to 2025.

The SBV has been managing monetary policy to support economic growth in the context of potential rising inflation under the pressure of global price spike. The target credit growth for 2022 is about 14%, suitable with the Government's economic stimulus package.

Though there are opportunities of economic recovery and growth, Vietnam's economy still faces various challenges in 2022, which might significantly influence the operation of the banking sector as a result of unpredictable pandemic trajectory, geopolitical tensions and global financial system instability, and rising inflation pressure.

Follow the Government's major tasks for 2022 and Directive No. 01 of the SBV on organizing and implementing banking sector's tasks, VCB Development Strategy to 2025 and vision to 2030, and grasp the action motto of **“Transformation, Efficiency, Sustainability”** and the management approach of **“Responsibility – Action – Creativity”**.

Focus on **SIX BREAKTHROUGHS:**

- ✓ Execute Digital transformation action program and Digital transformation action plan.
- ✓ Enhance human resources quality and develop human resources with digital banking transformation capability; develop digital culture.
- ✓ Renovate growth model in-depth associated with restructuring business operations based on business pillars; promote collective capabilities of VCB's system.
- ✓ Promote customer and products/services development.

- ✓ Complete mechanisms of internal management and customer policies.
- ✓ Participate in the restructure of a financial institution with the highest determined spirit on schedule.

and **THREE KEY INNITIATIVES** in restructuring the business operations:

- ✓ Ensure credit growth along with credit restructuring to gain efficiency and sustainability: increase proportion of retail credit, boost credit balance at transaction offices, increase collateral coverage ratio, and grow wholesale credit associated with customer and service development.
- ✓ Maintain and increase the proportion of non-interest income, with a focus on service income; expand services on digital banking channels and promote service quality, customer experience, and customer retention as a foundation for future service income.
- ✓ Perform capital restructuring to gain efficiency and sustainability.

Key criteria:

Criteria	2022 Target
(1). Total assets growth	~8%
(2). Deposit growth	~9%
(3). Credit growth	~15%
(4). Non-performing loan ratio	< 1.5%
(5). Profit before tax growth	~12%
(6). Dividend payment (%/book value)	Upon regulatory authorities' approval.

KEY BUSINESS OBJECTIVES IN 2022

- 1. Implement COVID-19 preventive measures with the motto of safe and flexible adaptation**, ensure business continuity and effectiveness as well as employees' health; require units and employees to thoroughly grasp compliance responsibilities and strictly implement COVID-19 preventive measures in accordance with regulatory authorities' direction as well as VCB's guidance.
- 2. Restructure the business operations and renovate the growth model**
 - 2.1. Ensure credit growth is in accordance with the SBV's direction; restructure credit portfolio towards safety and efficiency; promote retail credit.
 - 2.2. Ensure deposit growth is in balance with credit growth; restructure capital to enhance efficiency and sustainability.
 - 2.3. Step up customer development activities.
 - 2.4. Consistently deploy three pillars of **Retail - Service - Investment** to accomplish six breakthroughs and three key initiatives in restructuring business operations.
 - 2.5. Accelerate the execution of Digital transformation action program and Digital transformation action plan.
 - 2.6. Strengthen credit quality control and speed up the recovery of NPLs and written-off debts.
 - 2.7. Reinforce auditing and supervisory activities.
 - 2.8. Strengthen the organization model; develop distribution network and improve human resources education and training quality.
 - 2.9. Continuously review and complete policies, regulations and internal processes.
 - 2.10. Continue to supplement charter capital from after-tax profits after cash dividends payment for the year 2020 and 2021.
 - 2.11. Strengthen infrastructure capacity to meet business requirements; ensure safety, security, and confidentiality for the IT system.

- 2.12. Develop cooperative strategy with Fintech; build VCB digital ecosystem.
- 2.13. Concentrate resources on accelerating progress while ensuring quality of key transformation projects, especially digital transformation support projects.
- 2.14. Actively participate in the implementation of restructure plan of the assigned financial institution with the highest responsibility under the direction of the Government and the SBV.
- 2.15. Invest in headquarters for new branches and branches without stable headquarters.
- 2.16. Actively implement social welfare activities to share difficulties with localities to alleviate natural disasters and COVID-19 impacts, and promote education and health care, etc.

**Deputy Chief Executive Officer
in charge of the Board of Management**

Nguyen Thanh Tung