

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

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

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THE BOARD OF MANAGEMENT’S REPORT**I. BUSINESS PERFORMANCE IN 2022**

In 2022, the world economy was adversely affected by the Covid-19 pandemic and the Russia-Ukraine war. The world witnessed events with unprecedented impacts on the global economy. Oil prices hit a 14-year high and inflation in the UK and US reached the highest level in decades. Mounting inflation forced central banks to raise interest rates: the US Federal Reserve (Fed) raised interest rates 7 times and the European Central Bank (ECB) raised 5 times in 2022.

Amid global economic pressure, the Government of Vietnam directed drastically to recover and promote economic growth and macroeconomic stability. As a result, the GDP growth rate in 2022 hit a 12-year high of 8.02%, with the industrial sector acting as the key driver. The recovery of the service sector also contributes significantly to the growth. The State budget collection achieved 127.8% of the annual target. The import-export turnover surpassed USD 730 billion, up 9.5% compared to 2021. The average consumer price index in 2022 increased by 3.15% compared to 2021, controlled within the target limit set by the National Assembly.

The banking sector’s activities were positive in the first half of the year, yet subsequently went through adverse impacts of volatile real estate and corporate bond markets, as well as the fluctuations of interest rates and exchange rates in international markets. Under this circumstance, the State Bank of Vietnam (SBV) has proactively increased interest rates, widened the exchange rate band, and regulated credit growth to stabilize the macroeconomy, control inflation, support economic recovery and growth,

stabilize market sentiment, meet liquidity demands and maintain banking system safety.

1. Business performance of The Joint Stock Commercial Bank for Foreign Trade of Viet Nam (VCB) in 2022

Following the SBV's direction, VCB's Management has oriented and directed vibrantly, consistently, and flexibly to complete the 2022 business targets.

1.1. Deposit growth in balance with credit growth

- ✓ Total customer deposits were VND 1,257,806 billion, up ~9% compared to 2021, 100% completion of 2022 plan. The proportion of average demand deposits was 34%, up 1.8 basis points compared to 2021.
- ✓ Credit balance reached VND 1,156,148 billion, up ~19% compared to 2021, 100% completion of 2022 plan; credit growth rate controlled within the limit allowed by the SBV.

1.2. Strictly controlled credit quality

- ✓ Special mention loan ratio (group 2) was 0.35%; the NPL ratio was 0.68%, below the 2022 upper-limit target.
- ✓ The loan loss coverage ratio reached the highest level in the banking sector.

1.3. Impressive results in turnover indicators

- ✓ International settlement - trade finance turnover grew by 31.8% compared to 2021.
- ✓ Foreign currency sales rose by 16.3% compared to 2021.
- ✓ Turnover indicators such as card payment sales, insurance, and new wholesale/retail customers had impressive growth, ranging from 37% to 100%.

1.4. Sustainable business growth; strengthened financial capability

- ✓ The profit before tax target assigned by the SBV and the General Shareholders' Meeting was achieved.
- ✓ Income from service and foreign currency trading accounted for 20.1% of total income.
- ✓ Income from recoveries of written-off loans reached VND 2,395 billion.
- ✓ ROAA and ROAE remained at high levels of 1.85% and 24.44% respectively.

1.5. Largest market capitalization among listed banks

- ✓ VCB continued to be the largest market capitalization listed company on the Vietnam stock market and ranked among the 100 listed banks with the largest market capitalization in the world by Reuters.

1.6. Fully complied with banking regulatory ratios

- ✓ VCB fully complied with the SBV's safety requirements in banking operations.
- ✓ The capital adequacy ratio (CAR) was 9.95%.

2. Management activities

Management activities strictly followed the motto “***Transformation, Efficiency, Sustainability***” and adhered to management orientation “***Responsibility - Action - Innovation***” to implement 03 “initiatives”, 06 business “breakthroughs” in 2022.

2.1. Optimal credit growth as oriented

- ✓ VCB continually accompanied and shared difficulties with customers. In the last 2 months of 2022, VCB reduced lending interest rates by 1% for loans denominated in VND.
- ✓ Foster credit growth since the beginning of the year to maximize capital efficiency; the credit growth rate was strictly controlled within

the limit assigned by the SBV.

- ✓ Credit balance structure shifted to the oriented customers and categories; expanded chain financing activities.
- ✓ Effectively implemented competitive interest rate lending programs associated with complementary products and services.

2.2. *Deposit mobilized reasonably to optimize capital usage efficiency*

- ✓ Adjusted interest rate flexibly and timely to meet capital demand and ensure compliance with safety ratios.
- ✓ Timely issued new e-Banking transaction fee policy and adjusted FTP rate to sustain demand deposits and foreign currency deposits growth.

2.3. *Directed the implementation of 03 pillars to gradually complete 06 strategic breakthroughs and 03 business restructuring initiatives.*

✓ ***“Retail”*** pillar

- Accomplished the transformation of Sales and Customer Service models at 30 branches as part of the RTOM2 project.
- Implemented the RLOS retail credit model at 30 branches.
- Completed the segmentation-based customer policy design under the RTOM2 project.
- Waived transactions and money transfer fees on digital channels to participate in the implementation of the Government's goal of boosting non-cash payment.
- Promoted new products, services, and features on digital channels.

✓ ***“Service”*** pillar

- Promoted sales of products and services on digital channels; expanded public services connected payment.
- Conducted marketing and sales campaigns based on customer behavior analytics.

- Leveraged the advantages of diversified, specialized and high-technology products and services to promote international settlement - trade finance and foreign currency trading activities.

✓ **“Investment” pillar**

- Maintained an appropriate proportion of the Government bond investment portfolio.
- Flexibly and effectively invested in valuable papers issued by credit institutions.

2.4. *Implemented the transformation action plan; improved service quality and customer experience; automated and optimized operations*

- ✓ Effectively directed the implementation of strategic technology projects of the Bank acting as the foundation for product and service development.
- ✓ 36/50 transformation projects completed and went live, significantly contributing to VCB's digital transformation roadmap implementation.
- ✓ Implemented the Capability enhancement consultancy projects and the Transformation action program.
- ✓ The Wholesale Division promoted the deployment of digital platforms with offerings to customers.
- ✓ The Retail Division successfully deployed a new core system for Digibank.

2.5. *Strengthened risk management capability; Tightened credit quality control; proactively recovered non-performing/written-off loans*

- ✓ Approved the direction for the implementation of Basel's Foundation Internal Ratings-Based Approach (F-IRB) in the calculation of capital requirements for credit risk combined with regulations of Basel III. Concurrently prepared for the implementation of Basel III in

accordance with regulations of the Basel Committee and the SBV.

- ✓ Regularly reviewed and timely aligned credit direction by economic sectors and portfolio; controlled credit quality as oriented.
- ✓ Strengthened credit quality control and speed up the recovery of non-performing and written-off loans in branches.
- ✓ Ensured compliance with banking liquidity regulatory requirements.
- ✓ Fully maintained operational risk control and reduction tools; ensured business continuity.
- ✓ Completed the consulting project "Enhancement of VCB's anti-money laundering/counter-terrorism financing capability".

2.6. Completed the organizational structure and developed distribution networks; promoted the training and development of human resources.

- ✓ Completed the appointment of high-level and mid-level management; rearranged the organization models at the Head office and the RTOM model at branches.
- ✓ Promoted training activities; Total training sessions per staff reached 4.86, up 42.6% compared to 2021; Provided training to head office managers and staff on basic and advanced knowledge of Agile methodology and digital supply chain model.
- ✓ Scientific research activities were strongly promoted and strictly performed.
- ✓ Successfully organized the innovation competition "Vietcombank: 60 Years of Innovation and Creativity".

2.7. Other main activities

- ✓ Implemented interest rate support package from the State budget for customers under Circular No. 31/2022/ND-CP dated May 20th, 2022, on the interest subsidies provided by the State budget for loans of

enterprises, cooperatives, and household businesses and Circular No. 03/2022/TT-NHNN dated May 20th, 2022, on guiding commercial banks' implementation of the interest rate support policy in accordance with Resolution No. 31/2022/ND-CP.

- ✓ Strengthened and expanded customer relationships by signing cooperation agreements with large corporate customers.
- ✓ Continued to implement social welfare activities with a total commitment of VND 487 billion (of which VND 383 billion was disbursed) in 2022.
- ✓ Awarded as the bank with the best working environment in Vietnam for the 7th consecutive year; Received the "Outstanding Enterprise for Workers" award for the 3rd consecutive year.
- ✓ VCB was honored with the “Labor Hero” title awarded by the Communist Party and the State of Vietnam.
- ✓ Completed the plan for the compulsory transfer of a credit institution following the timeline by SBV.

II. BUSINESS STRATEGY IN 2023

The global economy in 2023 is expected to continue facing significant difficulties and challenges. Economic growth is predicted to decelerate, interest rates remain high to control inflation. Global trade declines due to decreased aggregate demand and supply chain congestion.

Amid global economic uncertainties, Vietnam’s economic prospects are intertwined with challenges and opportunities. Economic growth is recovering due to the stability of FDI inflows and public investment. However, the economy is coping with the challenges of real estate market fluctuations, hidden inflation, and high interest rates. In anticipation of the economic outlook for Vietnam in 2023, the SBV is expected to govern credit growth in line with macroeconomic developments to control inflation, as well as manage foreign exchange rates and interest rates in

alignment with market developments, macroeconomic conditions, and monetary policies.

Follow the Government's major tasks for 2023 and Directive No. 01 of the SBV, VCB Development Strategy, and grasp the action motto of **“Transformation, Efficiency, Sustainability”** and the management approach of **“Responsibility – Action – Creativity”**, successfully achieve business targets to celebrate the 60th anniversary of VCB.

Focus on **SIX BREAKTHROUGHS:**

(i) Execute the Digital transformation action program and the Digital transformation action plan with the best quality and on schedule.

(ii) Enhance human resources quality and concentrate on human resources with digital banking transformation capability; grow digital culture and apply Agile working methodology.

(iii) Renovate growth model associated with restructuring business operations; promote collective capabilities of VCB's system.

(iv) Promote customer and product/service development.

(v) Complete mechanisms of internal management and customer policies.

(vi) Receive a mandatory transfer of a bank on schedule with the highest determined spirit.

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

(i) Ensure credit growth adhered to effective and sustainable credit restructuring: increase the quality of collateral and the collateral coverage ratio; grow wholesale credit associated with customer and service development; grow retail credit and credit balance at transaction offices while ensuring credit quality.

(ii) Strive to improve the proportion of non-interest income, driven by service income; expand services delivered on digital banking channels;

promote service quality and customer experience.

(iii) Perform capital restructuring to improve efficiency and sustainability; fortify the market maker position of VCB.

Key criteria:

Criteria	2023 Target
(1). Total assets growth	~9%
(2). Deposit growth	in balance with Credit growth, LDR is not higher than 2022
(3). Credit growth	~14%
(4). Non-performing loan ratio	< 1,5%
(5). Profit before tax growth	~15%

KEY BUSINESS OBJECTIVES IN 2023:

1. Control the credit growth rate within the limit allowed by the SBV and implement portfolio restructuring following the Head office's direction

1.1. Grow credit by segments and sectors; Expand short-term credit associated with complementary products and services.

1.2. Closely monitor and supervise customers' operation and credit quality. Proactively reduce loans to customers with low effectiveness and high potential credit risk.

1.3. Pilot implementation of RTOM2 lending programs at branches.

2. Flexible and effective management of mobilization activities

2.1. Ensure deposit growth is in balance with credit growth.

2.2. Keep abreast of market situation and funds usage demand for timely and appropriate deposit mobilization policies.

2.3. Foster new deposit customer development.

3. Enhance risk management and speed up the recovery of written-off debts

3.1. Strictly control credit quality by sectors and industries.

3.2. Strengthen control over restructured debts to minimize non-performing loans.

3.3. Periodically review, evaluate, monitor, and supervise customers and collateral quality.

3.4. Fortify operational risk control and concentrate on monitoring and supervising the operation of transaction offices, especially those located far from branch head offices.

4. Step up customer development activities

4.1. Promote sales to supply/value chain and ecosystems; implement customer policies for target customer segments.

4.2. Proactively and vibrantly deploy products, services, and utilities on digital channels.

4.3. Enhance sales force capability; instruct branches to organize sales campaigns designed for separate customer segments.

4.4. Organize new customer development contests.

4.5. Implement branch digitalization solutions to enrich customer experience.

4.6. Develop potential young customer segments with a heightened focus on digital experience, digital interaction, and distribution of financial services on digital channels.

5. Product and service development

5.1. Enhance and diversify specialized wholesale credit/deposit products, investment banking products and chain products.

5.2. Concentrate on the development of products designed for different

customer segments.

5.3. Implement new card products for priority customers.

5.4. Improve the current account opening process; design appropriate forms.

6. Consistently deploy three pillars of Retail - Service - Investment to accomplish six breakthroughs and three key initiatives in restructuring business operations

6.1. “Retail” pillar

- ✓ Widen the application of the RTOM 2 model and the scope of retail credit model application.
- ✓ Increase the numbers of customers using digital channels and SMEs using Digibiz packages.
- ✓ Develop digitalization-based credit products; speed up the multi-channel provision of products and services.

6.2. “Service” pillar

- ✓ Maintain and leverage advantages in foreign exchange and trade finance activities.
- ✓ Develop financial aid services.
- ✓ Deploy segment-based product and service packages.
- ✓ Expand partnerships with non-bank and fintech partners.
- ✓ Deploy effective solutions to optimize at-the-counter services processes and tools.

6.3. “Investment” pillar

- ✓ Ensure effective management of bank-wide balance sheet.
- ✓ Promote sales of foreign exchange derivatives and interest rate derivatives.

7. Accelerate the execution of the Digital transformation action program

- 7.1. Ensure effective, timely and high-quality implementation of the Digital transformation action program and the Digital transformation action plan.
- 7.2. Organize internal communication activities to raise awareness of the importance of digitalization to develop Agile culture; apply new working methodologies and embed them in VCB's culture.
- 7.3. Promote the provision of products, services, and customer service policy on digital channels.
- 7.4. Upgrade, improve and expand system capabilities to accelerate the digitalization of specific tasks in the credit granting process.

8. Other activities

- 8.1. Reinforce auditing and supervisory activities.
- 8.2. Strengthen the organization model; develop distribution networks and improve human resources education and training quality.
- 8.3. Reinforce infrastructure capacity; ensure safety, security, and confidentiality of the IT system.
- 8.4. Complete and fine-tune the e-invoice system; Implement bank-wide document digitalization.
- 8.5. Prepare and successfully organize a series of activities to celebrate the 60th anniversary of VCB.
- 8.6. Implement planned social welfare activities.

Chief Executive Officer

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