

**REPORT OF THE BOARD OF DIRECTORS**  
**(At 2024 Annual General Meeting)**

With an understanding of the crucial role of corporate governance in business continuity and sustainable development and, especially, the goals of a prosperous and sustainable future society, VPBank has always been Committed, Pioneering and Consistent with the policies and guidelines to build a governance environment that goes beyond compliance, always focusing on improving professionalism and increasing information transparency in corporate governance activities.

**I. Activities of the Board of Directors (BOD) in 2023**

**The BOD implemented the resolutions of the Annual General Meeting (AGM) and through regular meetings and voting by ballot decided on policies and directions for the Board of Management (BOM) to organize and implement specific business plans.**

- ✓ Implemented the sale of 30,219,600 treasury shares to employees under Employee Stock Ownership Program 2023.
- ✓ Completed a Private placement to strategic foreign investor SMBC, thus increasing the bank's charter capital to VND 79,339,236,010,000 and getting proceeds at nearly VND36 trillion.
- ✓ As per the AGM's approval in principle, participated in restructuring a weak bank. BOD has been developing and completing the plan and submitting it to the regulators for approval.
- ✓ Implemented an AGM Resolution on the master agreement on lending and deposit with VPBank SMBC Finance Company Limited (VPB SMBC FC) capped at 30% of the Charter Capital recorded in the most recent audited financial statements of VPBank from time to time. In 2023, the BOD decided on specific business transactions to ensure the business collaboration between VPBank and its subsidiaries. These transactions were also disclosed according to the regulations.
- ✓ Added a number of new business lines in the list of expected additional business line to meet the Bank's practical business expansion needs.
- ✓ Approved the 2023 business plan based on different scenarios to suit the actual situation of the market and the Bank, ensuring feasibility and motivation for employees to achieve goals.
- ✓ Approved the list of key projects, which were important in strengthening the foundation and developing business in 2023.

- ✓ Updated and adjusted the Bank's development strategy for the period 2022 - 2026 to align with market fluctuations and the Bank's actual situation.
- ✓ Approved the policies and orientations on risk management and business operations and adjusted risk policies to suit the orientations/directions of the government, the State Bank of Vietnam (SBV) and the actual situation.
- ✓ Approved proposals on asset purchase/sale, proposals for credit approval, investment, operating budget allocation for projects/functions... exceeding the limits of the Bank's councils and committees.
- ✓ Amended/issued new regulations/policies on business activities, risk management, operational management and organizational structure of divisions and functions at the Bank.
- ✓ Made decisions related to senior personnel and HR policies as proposed by the CEO and advised by the HR Committee.

In addition to the above-mentioned AGM's Resolutions that the BOD has implemented, the AGM approved a number of resolutions that create a scope and delegate authority to the BOD to proactively execute/operate to meet the bank's business and operational needs, minimizing the administrative work through one-off voting by ballot. For example, under the Resolution on additional business lines, in fact, VPBank will not apply for all the additional business lines at once but only some feasible business lines depending on market demand and related legal regulations. Another example is the AGM resolution to remove the written off debts by using provisions subject to specific conditions, in 2023, VPBank did not yet remove any debts off the book.

**Performed the role of creating a strong control environment and closely supervised the Chief Executive Officer (CEO) and the Board of Management (BOM):**

The BOD in general and each member of the BOD paid great attention to the supervision of the CEO, BOM-level councils, and other functions related to Internal Control, Risk Management, Capital Adequacy Assessment, implementation of business plans/business strategies and activities assessed by the BOD as posing material risks for the Bank in compliance, credit, investment, human resources, reputation, etc.

The BOD and members of the BOD proactively carried out supervisory responsibilities directly and indirectly, exercise pre-, during- and post-supervision of the contents that need to be monitored. Accordingly, in 2023 the BOD/BOD members:

- ✓ Participated in the BOM's monthly meetings (12 monthly meetings in 2023) and thematic meetings for areas that need monitoring;
- ✓ Participated by asking questions, giving directions, discussing and giving opinions at meetings;
- ✓ Directed the development, approval and promulgation of risk management policies at VPBank;
- ✓ Supervised through the daily, weekly, monthly, quarterly business reports and other reports/proposals from the BOM; Reviewed and processed information from reports of the Supervisory Board (SB) and Internal Audit on the Bank's functions;

- ✓ In addition, the BOD also used specialized subordinate committees such as the Risk Management Committee, Human Resource Committee... in the process of organizing and implementing supervisory responsibilities.

## **II. Activities of Committees subordinate to the BOD**

### ***Human Resources Committee.***

The Human Resources Committee (HRC) consisted of 03 members, who are members of the BOD. Through regular in-person meetings (quarterly or monthly) or reports received from The Human Resources Division and the BOM on organizational structure, promotions, compensation, and staff performance review of the Bank and its member companies, the HRC made assessments, analysis, and advice for the BOD to decide on relevant issues.

Specifically, the activities of the HRC in 2023 included:

- ✓ Reviewed and provided timely directions on monthly human resource indicators and activities of the Human Resource Management Division and member companies;
- ✓ Advised the BOD in recruiting, promoting, and approving resignations for senior managers under the approval authority of the BOD;
- ✓ Advised the Board of Directors on periodic activities such as: Performance bonus distribution plan for 2022, Approval of staffing and staff costs for 2023. Approval of human resources action program and focuses for 2023;
- ✓ Advised the BOD to decide on the objectives and scope of the Corporate Culture project at VPBank, the project to review the job system of the entire bank;
- ✓ The HRC also advised the BOD on restructuring the organization and adjusting/completing the functions and tasks of a number of units such as the Collection Centre, Financial Market and Transaction Banking, FDI Centre, CIB, Marcom, as well as restructuring the entire organizational structure of the company.

### ***Risk Management Committee***

The Risk Management Committee (RMC) consists of 7 members, including members of the BOD, along with senior executives of the BOM. In 2023, the RMC completed its objectives, proactively deployed comprehensive and prudent risk management measures, making an important contribution to maintaining VPBank's outstanding performance. In 2023, the RMC advised and gave opinions for the BOD to decide on the following:

- ✓ Monitored compliance with risk indicators outlined in the 2023-2025 Risk Appetite Statement and the 2023 strategic indicators for top-down limit through periodic reports together with corrective action plans for potential limit violations. In the second half of 2023, the RMC advised

the BOD to promptly adjust the Risk appetite and Top-down limit to align with the actual macroeconomic situation as well as the Bank's business plan.

- ✓ Gave directions for integrating Environmental, Social and Governance (ESG) risk management activities into VPBank's risk culture. The Bank took the first steps by developing and implementing climate risk management in line with global sustainability trends and leading the domestic market in publishing reports as recommended by Task Force on Climate-Related Financial Disclosures (TCFD) for two consecutive years. These pioneering efforts were recognized as VPBank became the first Vietnamese entity to given the "Climate Risk Manager of the Year" award as part of Energy Risk Asia Awards 2023 – the prestigious awards to recognize efforts in developing and implementing climate risk management.
- ✓ Received reports on key results from semi-annual Internal Capital Adequacy Assessment Process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) tests, in which changes to stress test scenarios were recommended by the RMC to suit the economic environment in 2023, reflecting the impact of (i) the prolonged Russia-Ukraine war, (ii) global interest rates remaining high and not expected to increase further until the end of 2023, (iii) slower GDP growth due to decline in global demand, and (iv) changes in the Bank's business strategy. Thereby, the Bank was able to more accurately estimate possible impacts on capital and liquidity, thereby providing appropriate contingency plans.
- ✓ Directions for Risk Management Framework development with the goal of constantly strengthening and improving to stay ahead of new trends in the market as well as pioneering in the adoption of the most advanced management standards. Under the supervision of the RMC, after completing all three pillars of Basel II ahead of the SBV's deadline, VPBank focused on promoting research and upgrading the risk management system according to the the advanced Basel implementation roadmap. As of December 2023, with specific direction from RMC, VPBank completed the study of applying Basel 2 FIRB (Foundation Internal Ratings-Based) for credit risk, Basel 3 MM (Internal model-based method) for counterparty risk as well as Basel 3 for market risk, liquidity risk and interest rate risk on the banking book although there was no official requirement from the SBV. At the same time, VPBank continued to conduct research on other capital regulations according to Basel 3 standards according to the direction of the SBV.
- ✓ Actively advised and supervised the implementation of business continuity strategy across the entire bank to maintain a stable operation, ensuring the Bank's business development goals throughout 2023 when there were more uncertainties and difficulties for the banking industry.
- ✓ Advised the BOD to approve and issue (i) The cost of fund applicable in 2024; (ii) Risk Appetite Statement for 2024-2026 and (iii) List of Material Activities & Material Risks, etc. to ensure consistency between risk appetite and annual goals, as well as effectively implement the bankwide business strategy and comply with the requirements of SBV.

### **III. Assessment of the BOD on the Board of Management activities and performance of the Bank in 2023**

In general, the economy was negatively affected by the fluctuations and recession of many major economies in the world. The banking industry continued to be greatly affected by the liquidity crisis, the corporate bond market crisis, the quiet real estate market since 2022 as well as the economy, which led to a decline in the business performance of the industry in general and VPBank in particular. VPBank remained decisive, timely and flexible in governance and management, along with supportive measures from the government and the SBV in solving difficulties for customers; proactively supported the subsidiary VPBank SMBC Finance Company Limited through comprehensive restructuring process to gradually overcome difficulties and find opportunities to recover.

Some achievements in 2023:

- VPBank still maintained high growth momentum (credit growth of 31.8%) with market 1 funding growing by 46% on a consolidated basis, mainly driven by RB Division;
- Completed the private placement with SMBC, helping to strengthen financial capability and operational safety as the equity increased by 35.2% year over year, the 2<sup>nd</sup> highest in the entire banking industry and CAR reached 17.1%, the highest in the industry;
- Expanded the customer base with positive results in the number of new customers, especially those acquired through online channels and entities in the ecosystem.
- Operating expenses were kept under control with the expenses growth rate being lower than the income growth rate due to drastic solutions to increase labour productivity, digitize/automate processes, and prioritize investment in salespeople and important platforms;
- Continued to transform and strengthen digital technologies on core systems as well as data management to enhance product and service capacity, ensure information security, optimize operational efficiency and increase internal and external customer experience.
- Enhanced corporate governance by starting to develop and implement a group operating model to optimize resources and create synergy between the parent bank and its subsidiaries.
- Announced and implemented activities based on five new core values under the Corporate Culture project, applicable to the next phase of strategic development towards the Bank's sustainable development goals.

However, in 2023 VPBank faced major difficulties as reflected in the business performance: asset quality deteriorated, requiring comprehensive solutions to keep the portfolio quality under control. Loan group 2 and suspended interest increased significantly compared to the end of 2022, greatly affecting interest income and provision expenses. Income and profits in 2023 were strongly affected by pressure in asset quality, high cost of fund as a fallout from 2022's liquidity crisis and the decline in incomes partly caused from interest rate cut programs, loan restructuring to support customers as well as services fees included payment services, insurance activities. The plans per AGM's resolution were frequently reviewed and discussed by the BOD. In the September 2023 meeting, the

BOD adjusted BOM's targets at a more reasonable and feasible level considering the actual situation. However, the parent bank's profit at the end of the year only reached 80% of the adjusted plan. The consolidated bottom line was heavily affected by the business results of the subsidiary VPB SMBC FC.

Regarding environmental and social responsibilities, VPBank also transformed strongly on the path to becoming the leading green bank in Vietnam, comprehensively contributing to economic - social - environmental goals and creating a sustainable development future: VPBank pioneered the development of an ESG risk management framework and applied it across the entire bank, developed a clear strategy and effective management system, and earned the ESG score of 2/5 from Moody's – on par with leading credit institutions in the region. VPBank also received the "The leading Bank in Climate Finance in East Asia – Pacific" in the "Highest Percentage of Climate Commitment Achieved" category award from IFC and "Climate Risk Manager of the Year" awarded by Asia Risk.

In terms of the business performance in 2023, although the bank did not achieve the revenue and profit targets, the CEO and the BOM made great efforts in implementing the assigned tasks in the context of market difficulties and the Bank's own challenges. The BOM was very proactive, creative and responsive in terms of management while still ensuring strict compliance with the provisions of law and the Bank's Charter. Each member cooperated effectively in joint activities while overseeing his/her own division/function, thus contributing to the safe and stable operation of the bank, creating a civilized, happy and effective working environment for employees, promoting and preserving the Bank's brand and reputation in the eyes of customers, investors and the society. In addition, many BOM members showed their willingness to take on additional tasks and proactively and enthusiastically participated in supporting the restructuring of subsidiaries to develop a stable and collaborative VPBank ecosystem for sustainable and effective growth.

#### **IV. Remuneration, salary and bonus of the BOD and SB**

The remuneration and operating budget of VPBank's BOD and SB was approved by AGM 2023 at 0.5% of the consolidated profit before tax, or approximately VND 54 billion. However, the BOD and SB's actual remuneration in 2023 was around VND 16 billion and other operating expenses about VND 12 billion. Remunerations for the BOD and SB were considered and proposed by the HRC and approved by the BOD in consideration of the roles, tasks, responsibilities, and contributions of each individual to the Bank. The BOD member cum CEO received the salary and bonus for the CEO position and did not receive the BOD member's remuneration. Details of the BOD's remuneration are presented in a separate section on the Bank's audited financial statements 2023.

In addition to the benefits mentioned above, members of the BOD and SB also participated in the Health & Accident Insurance Program for themselves and their immediate family members

according to the Company's General Insurance policy. The SB was also entitled to the purchase of preferential shares under the Bank's ESOP programs.

*It is proposed that the remuneration, bonus and operating expense budget for the BOD and SB in 2024 continue to be kept at 0.5% of the consolidated profit before tax. Assign the BOD to make decisions in consideration of the roles, tasks, responsibilities, and contributions of each individual to the Bank in accordance with the Bank's human resources/operations policies and within the AGM-approved budget.*

## **V. Reporting on transactions between the Bank and related parties.**

- Transactions between the Bank, the Bank's Subsidiaries and the BOD and related persons of the BOD are presented in detail in corporate governance reports made every 06 months as well as on a one-off basis and have been disclosed according to regulations.
- VPBank's material transactions with its subsidiaries: Presented in the standalone audited financial statements ended December 31, 2023 (Note 40. Transactions with related parties).

## **VI. Investor and Stakeholder Relations**

**Focused on information transparency responsibilities, ensuring rights and equal treatment of shareholders and stakeholders**

As a large public company and part of VN30, VPBank always emphasizes transparency, accuracy and timeliness in information disclosure activities. The Bank always strictly complies with legal provisions on corporate governance for large public companies and listed enterprises such as the Law on Enterprises, the Law on Credit Institutions, the Law on Securities, and Circular 116/2020/TT-BTC guiding a number of articles on corporate governance applicable to public companies, Circular 96/2020/TT-BTC guiding information disclosure on the stock market, regulations of the State Securities Commission, Ho Chi Minh City Stock Exchange and Vietnam Securities Depository and Clearing Corporation. The Bank developed the Governance Statute which was approved by the AGM, and at the same time, always ensured full compliance with information disclosure content and deadline according to current regulations. Information related to the corporate governance, business operations, and periodic and ad hoc information was all published by VPBank on time, ensuring transparency with shareholders and investors.

VPBank always values and treats shareholders and stakeholders equally, including minority shareholders, foreign shareholders, lending and deposit partners, credit rating agencies, etc. by publishing accurate, transparent and timely information on VPBank Investor Relations website - <https://www.vpbank.com.vn/quan-he-nha-dau-tu>, in both Vietnamese and English, on information portals of Stock Exchanges, information disclosure systems of the State Securities Commission, and

mass media... In particular, strategic information that greatly impacts the interests of investors and shareholders has always been VPBank's intense communication focus: information before, during and after the AGM such as dividend payment, charter capital increase, business results, and business outlook, strategic orientation, cooperation signing events, capital adequacy ratio (CAR), credit ratings from reputable organizations (such as Moody's) and awards,... while actively supporting and answering investors' questions and requests for information through communication channels such as email, phone and Investor Relations website, thereby affirming VPBank's reputation.

In addition, in 2023, VPBank also continued to improve, issuing the regulation on information disclosure on the stock market to ensure completeness, strictness, and compliance with the provisions under Circular 96/2020/TT-BTC of the Ministry of Finance on information disclosure on the stock market as well as relevant legal provisions on information disclosure to ensure compliance and protect the rights and enhance value for shareholders. Together with strictly complying with legal provisions on corporate governance in Vietnam in general and those applicable to listed companies in particular, VPBank also actively researched and applied the ASEAN Corporate Governance Scorecard, the corporate governance principles according to best practices for public companies in Vietnam jointly developed by the State Securities Commission and IFC. VPBank determined that this was both an internal requirement for corporate governance at the bank and shareholders and investors's wishes to align with the development of all aspects of the bank, enhance transparency in operations, achieve corporate governance standards similar to other companies in ASEAN and the world, and maintain our competitive advantage in the long-term.

### **Promoting the communication and meeting with the investor community**

In recent years, VPBank has continued to promote investor relations activities and enhance the quality and professionalism of communication channels, which are highly appreciated by investors themselves, to improve the accessibility of investors to the bank's information. The Investor Relations (IR) department has made progress in attracting the attention of both domestic and international investors. In 2023, VPBank continued to enhance the frequency, formats, and quality of disclosed information by implementing 8 conferences to announce the bank's business performance every quarter (analysts meeting and retail investors meeting). Under the scope of these meetings, the bank's management, domestic and international investors and analysts discuss the performance and prospects of VPBank and its subsidiaries in the ecosystem. Moreover, quarterly IR News updates regularly VPBank's highlighted activities aligning with investors' interests.

The quality and scale of investor outreach are also enhanced; VPBank organized more than 90 online and offline conferences in 2023 with more than 200 domestic and international investors, and analysts, and joined 10 investment workshops hosted by a range of funds and securities companies, namely VCSC, SSI, HSC, Dragon Capital, EFG Hermes, Maybank KimEng, JP. Morgan, etc. Via these meetings, VPBank demonstrates its professionalism and transparency in providing information to investors and the market.



Besides the investor relations website with event schedules, meeting records and quarterly performances are updated, IR also launches another website dedicated for investors at: <https://irevents.vpbank.com.vn>. Moreover, all investor documents are updated bilingual on the bank's website for the investors' ease of access.

All above activities have reinforced the professionalism and transparency in disclosure practices at VPBank, allowing investors and stakeholders to fully access and get frequent update on performance, business results and direction of the bank, thus enhancing the investors' confidence and promoting the bank's position in the market. In addition to the positive performance and effectiveness in IR's activities, VPBank also recorded:

- VPBank stock maintains its position in key indexes such as VN30 - VPBank's capitalization value reached VND 150 trillion, Top 1 in private banks for 2 consecutive years.
- VPBank was in the top 20 companies with Vietnam Sustainability Index (VNSI) rated by Ho Chi Minh City Stock Exchange for the 5th consecutive time. This result recognizes VPBank's efforts in building and strengthening an ecosystem for sustainable and comprehensive development, ranging from environmental and social policies to management practices, and performance indicators and corporate governance.
- VPBank excellently outpaced more than 700 other enterprises to officially reach the top 15 Large Cap Listed Enterprises within the framework of "IR Award 2023" organized by Vietstock to honor enterprises with best Investor Relations activities in Vietnam.
- In 2023, VPBank was also honored to be one of 12 enterprises awarded by VIOD (Vietnam Institute of Directors) as "BODs committed to Good Corporate Governance Practices". The certificate under the title "Board of the Year" awarded as an independent and objective assessment by a reputable agency promoting a professional corporate governance environment for VPBank in protecting shareholder interests and contributing to sustainable development, converging three values: Commitment, Pioneering and Determination for a sustainable and prosperous future society.

## **VII. Investor relations activity orientation**

In 2024, apart from regular activities, VPBank continues to improve quality of the information and communication, the interaction level with investors and stakeholders with the goal of gradually bringing VPBank's IR activities closer to international practices and standards, improving operational efficiency and meeting the expectations of shareholders and investors. At the same time, VPBank continues to improve regulations in IR activities to ensure compliance with legal regulations and consistent application not only at the parent company, but also at all member in the ecosystem. Thus enhancing VPBank's position and reputation with regulatory agencies and partners, aiming at increasing shareholder trust and the bank's reputation.

In addition, in 2023, VPBank officially welcomed SMBC as a strategic investor. The bank's leadership expects that the deal with SMBC will not only lay a solid foundation with a strong capital base for VPBank, but this investor will also contribute to VPBank's growth by sharing its experiences accumulated in many years in Asian market. Thereby, SMBC will support VPBank in improving the quality of corporate governance activities and investor relations to approach the international standards and developed countries in the region.

## **VIII. Key business orientations 2024**

### **Key financial targets 2024**

Stick to financial targets in the five-year strategy as the foundation to develop financial targets for 2024:

- Bank-wide on-balance sheet credit growth in 2024 is expected to increase by 25.2% compared to the end of 2023
- CASA growth continues to be the focus in 2024.
- The Bank's Operating Expenses will be controlled and increased appropriately to ensure the competitiveness of the CIR in banking sector.
- Ensure asset quality and debt collection under good control to effectively control provision.
- The bank's PBT is expected to reach about more than 20,709 billion VND by the end of 2024 and the consolidated PBT is expected to reach more than 23,165 billion VND.

### **Non-financial goal orientations**

- Regarding products and services: Promote the scale and growth rate of retail banking from basic customer segments, proactively expand the market to seek new initiatives in new segments; Develop transaction banking and payment services, industry-specific solutions to enhance the ability to penetrate deeply into new/potential industry groups for the medium- and large-scale corporate customer segment.
- Accelerate digital transformation and technology application across segments and products through optimizing process systems, speeding up the introduction of products and services to the digital platform system to ensure maintaining its pioneering position and readiness for integration in the digital era.
- Continue to strengthen the platform system with superior transformations which help increase performance and improve operational quality, improving customer experience.

- Continue to strengthen and perfect the Group governance models, develop cooperation with enterprises which have related/mutual products and services for the Bank's operations to create a complete ecosystem to attract customers and generate revenue.
- Continue to promote the strengthening and implementation of 5 core values with the goal of promoting the effectiveness of corporate cultural values.

**Recipients:**

- Valued shareholders
- BOD. Supervisory Board

**P.P. VPBANK BOARD OF DIRECTORS**

**CHAIRMAN**

**Ngo Chi Dzung**