

Hanoi, June 4th, 2020

REPORT OF THE BOARD OF DIRECTORS

On 2019 business performance and business plan in 2020

To: GENERAL MEETING OF SHAREHOLDERS

In compliance with the Law on Credit Institutions, the Law on Enterprises, the Law on Securities and the Charter of Saigon - Hanoi Commercial Joint Stock Bank (SHB), on behalf of the Board of Directors, I would like to report on the review of the operations of BOD in 2019.

In 2019, Vietnam's socio-economic situation continues to change positively, achieving important and comprehensive results in all fields. Stable macroeconomic conditions; inflation was controlled at a low level of 2.79%; economic growth of 7.02%, among the highest-growth countries in the region; ranking of national competitiveness increased by 10 notches.

Along with the overall achievements of the economy, 2019 is also a successful year for SHB, safe and efficient operations, most of financial indicators have reached the planned growth assigned by the General Meeting of Shareholders since the beginning of the year.

Member structure of the Board of Directors currently comprises of 07 members, including 01 executive, 01 independent member and 05 other members. Members of the Board of Directors are assigned tasks in accordance with their capacity and strengths. In the course of performing their duties, members of the Board of Directors have made every effort, considered the interests of the Bank and of shareholders as their own responsibilities.

In the past year, the Board of Directors of SHB held 04 periodical meetings in accordance with the provisions of the Bank's Charter, in necessary cases, the Board of Directors have also conducted the consultation of members' opinion in written form to promptly solve arising issues. At the meetings of the Board of Directors, the Independent Member of the Board of Directors also had an evaluation report on the activities of each member of the Board of Directors according to their assigned tasks, giving opinions and recommendations to the Board of Directors to make appropriate, timely and effective decisions and solutions in the context of complicated market movements to prevent internal risks.

SHB Board of Directors would like to report some of the results achieved in 2018 as follows:

- Basically completed the 2019 business plan targets assigned by the General Meeting of Shareholders, in which: total assets reached VND 365,254 billion; capital mobilization reached VND 288,593 billion; outstanding credit loans reached VND 266,193 billion; Profit before tax reached VND 3,026 billion, an increase of 44.5% compared to 2018.
- Increased charter capital from VND 12,036 billion to VND 14,550 billion from dividend distribution in 2017 and 2018 and increased charter capital from VND 14,550 billion to VND 17,558 billion by issuing shares to the public following the Resolution

of the General Meeting of Shareholders passed at the 2019 annual meeting. With the completion of these capital increases, SHB has ensured compliance with capital adequacy ratios as prescribed in Circular 41/2017/ TT-NHNN of the State Bank and basically meets the pillars of Basel2.

- Members of the Board of Directors regularly monitored, attended meetings of the Board of Management and directly worked at many business units to understand the situation and provide guidance and give timely resolution to problems arising out from the Bank's operations; strengthened the Bank's management capacity in accordance with corporate governance standards which are required for public companies.
- Issued Resolution No. 25 and Decision No. 539 to promptly handle the issues arising in the process of management and supervision of all activities of the Bank.
- The Human Resources Committee under the Board of Directors worked effectively, advised the Board of Directors in strengthening the organizational structure, appointing senior personnel and developing successor to ensure SHB always have enough personnel at key positions.
- The Risk Management Committee under the Board of Directors, headed by an Independent Member of the Board of Directors, has given several advisory recommendations to the Board of Directors in risk management, directly worked with the Board of Directors and Risk Management Division of SHB to continue improving the risk frameworks - reviewing and implementing key tasks that need to be prioritized to urgently reach Basel 2 standards by 2020.
- With a clear strategic development orientation, customer-centric business principles towards developing a leading modern universal retail bank, meeting international standards, SHB's Board of Directors has co-operated with world leading strategic consultants and established 03 Strategic Project Steering Committees, namely: Committee for Banking Development Strategy, Committee for Banking Technology Modernization and Committee for Banking Management Restructuring.

The above Steering Committees are chaired by the Chairman of the BOD, directly worked with consultants to build a differentiation and sustainable development strategy in the medium and long term, transforming to a digital banking model with many utilities and products using modern technology applications.

- The disclosure of information has been strictly conducted by SHB in accordance with the provisions of the law on securities and stock market, helping shareholders and investors to fully and promptly obtain information about SHB.
- With continuous efforts to innovate in all activities, SHB has been awarded many prestigious awards by domestic and international organizations. In particular, in the context that Moody's International Credit Rating has released information on the change of ranking prospects of Vietnamese banks by the end of 2019, SHB remains the rating and prospect for ranked long-term foreign currency issuer at B2, stable. This has affirmed that SHB is still evaluated by the international organizations to be stable, safe and sustainable.

Dear valued shareholders and investors,

With the impact of the Covid19 pandemic to the worldwide economy from the beginning of the year, 2020 will be a tough year for Vietnam's economic growth, the banking industry should be one of the key sectors to promote economic growth, support businesses to overcome negative impacts of the disease. The Board of Directors of SHB has defined the development orientation in 2020, which includes the following main tasks:

- Closely direct and monitor the BOM in implementing effective business solutions in

line with market movements and disease scenarios to complete business targets in 2020, as well as to achieve the Bank's operational goals up to 2025.

- Determined to accelerate the implementation of Strategic Banking Development Projects, Bank modernization and restructuring with a focus on growth, which must be accompanied by comprehensive transformation, diverse income structure, effective management of financial status and cost of capital.
- Continuously restructure and enhance the Bank's organization structure in a simplified, streamlined, transparent, efficient and safe manner; complete the risk management framework following Basel II standards.
- Improve the quality of risk management, strengthen internal control to minimize risks in business operations, focus on debt recovery and settlement to increase the quality of the Bank's assets.
- Expeditiously complete the divestment of SHBFC's financial capital to strategic foreign shareholders under the Establishment and Operation Plan of the Company as approved by the State Bank to enhance the management and governance capacity, and applying modern technology in the Company's operations, at the same time bringing capital surplus to SHB.
- Continue to build a strong corporate culture foundation to create a dynamic, enthusiastic and engaged working environment, attract potential candidates.

The Board of Directors would like to thank all shareholders, the Board of Management and all employees of SHB for their trust and support to the BOD in implementing business tasks over the past year. The Board of Directors pledge to do our best to implement SHB's strategic goals and resolutions of the General Meeting of Shareholders in the following year, taking SHB to the next level of development in Vietnam market and in the region, for the sake of SHB shareholders and SHB brand in the financial market, contributing to the development of Vietnam's banking industry and the country's economic development.

Wish you all good health and success.

Đỗ Quang Hiến



CHAIRMAN OF THE BOARD