

*Hanoi, June 04th, 2020*

**REPORT**  
**ON 2019 BUSINESS RESULTS**  
**AND 2020 BUSINESS PLAN**

- Pursuant to the audited business result in 2019 of SHB, which has been reviewed and audited by KPMG
- Pursuant to the business targets and strategy in 2020 and following years

Saigon - Hanoi Commercial Joint Stock Bank (SHB) would like to report on our 2019 business results and 2020 business plan as follows:

**I. OVERVIEW OF MACROECONOMIC CONDITIONS AND BANKING OPERATIONS IN 2019**

In 2019, socio-economic conditions continued to change positively and achieved important and comprehensive results in all fields, being the second consecutive year of achieving and exceeding all 12/12 planned targets.

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 and the world; the quality of growth was improved, investment efficiency was improved, labor productivity increased by 6.2%, and the contribution of total factor productivity (TFP) reached 46.11%. Total import-export turnover reached USD 517 billion, trade surplus for the fourth consecutive year; realized foreign direct investment reached a record of USD 20.4 billion. The economic structure continued to shift positively; sectors and fields developed stably, achieving impressive results; ranking of national competitiveness increased by 10 notches.

**II. BUSINESS RESULTS OF SHB IN 2019**

**1. Implementation results of financial targets in 2019**

a. SHB has basically completed the financial targets according to the plan assigned by the General Meeting of Shareholders such as assets, outstanding loans, capital mobilization, profits ...

- Total consolidated assets of SHB reached VND 365,254.3 billion, an increase of VND 41,978.3 billion, equivalent to an increase of 12.9% compared to the end of 2018. Completed 95.97% of 2019 plan.

- Capital mobilization of market I as of December 31, 2019 reached VND 289.609 billion, an increase of VND 45,537.6 billion, equivalent to an increase of 18.66% compared to 2018. Completed 102% of 2019 plan as set by the General Meeting of Shareholders.

- Total outstanding loans to corporates and individuals of SHB as of December 31, 2019 reached VND 265,162 billion, an increase of VND 48,173 billion, equivalent to an increase of 22.2% compared to 2018. Outstanding credit loans reached 101.8% of 2019 plan.

- Profit before tax amounted to VND 3,026 billion, reaching 99% of the 2019 plan.

b. SHB complied with the capital adequacy ratio in accordance with Basel II standards stipulated in Circular 41/2016/TT-NHNN. Consolidated capital adequacy ratio according to Basel II standard is 9.07% (SBV's regulation is > 8%).

c. In 2019, SHB made a provision of VND 4,232 billion for VAMC special bonds, and made pre-settlement of all VND 5,773 billion of VAMC special bonds, which were extended by the State Bank until 2024. Accordingly, the Bank was eligible to pay dividend and completed the dividend payment for 2017 and 2018 to shareholders.

d. In 2019, SHB has processed/ recovered in cash of VND 2,708 billion of NPLs from customers (excluding loans sold to VAMC). NPLs to total outstanding loans ratio decreased to 1.91%.

e. Completed the capital increase plan of VND 17,558 billion.

- At the end of 2019, SHB has been approved by the State Bank to pay dividends in the form of shares, charter capital of SHB after dividend payment will increase by VND 2,515 billion. At the same time, SHB was also approved by the SBV to issue an additional VND 3,000 billion of private shares to raise its charter capital.

- In early 2020, SHB has completed its share dividend payment and issued an additional VND 3,007 billion of private shares. The charter capital of SHB increased from VND 12,036 billion to VND 17,558 billion.

- After completing the increase of charter capital to VND 17,558 billion in early 2020, SHB's charter capital has been ranked in the Top 5 of Vietnam's private joint stock banks. The issuance of additional chartered capital is a condition for SHB to maintain the business scale development speed in parallel with the compliance with prudential ratios in business activities in accordance with regulations of the State Bank of Vietnam

following Basel II standards in Circular 41/2016/TT-NHNN and Circular 13/2017/TT-NHNN which take effect from 01/01-2020.

f. Strictly control operating costs, bring the ratio of operating expenses to total net operating income to 39.66%, the lowest in the last 5 years.

## 2. Human resources and network

### 2.1. HR arrangement

- The number of SHB personnel as of December 31, 2019 reached 8,216, an increase of 670 people, equivalent to an increase of 8.88% compared to the end of 2018. The number of personnel increased mainly at SHBFC with an increase of 706 people, equivalent to 61.4%.

### 2.2. Operation network

The total number of domestic and foreign SHB's transaction points till December 31, 2019 is 530 (including branches, transaction offices, savings funds, and transaction points in nearly 50 provinces and cities in Vietnam, 1 wholly-owned subsidiary bank in Laos, 1 wholly-owned subsidiary bank in Cambodia); 1 Representative office in Myanmar and 2 subsidiaries (SHAMC, SHB FC).

## 3. Business results as of December 31, 2019

Criteria	Unit	2019	2019 vs 2018
<b>1. Capital scale</b>			
Total assets	VND billion	365,254	12.9%
Charter capital	VND billion	12,036	-
Equity	VND billion	24,816	10.7%
<b>2. Business results</b>			
Mobilization from corporates and individuals	VND billion	288,479	18.5%
Outstanding credit loans	VND billion	266,193	15.0%
Profit before tax	VND billion	3,026	44.5%
<b>3. CAR, NPLs</b>			
CAR	%	12.01	Complied with SBV requirement ( $\geq 9\%$ )
NPLs	%	1.91	Complied with SBV requirement ( $\geq 9\%$ )

(Source: 2019 audited consolidated financial statement)

### 3.1. Total assets

Total consolidated assets of SHB as of December 31, 2019 reached VND 365,254 billion, an increase of 12.9% compared to the end of 2018, completing 97.95% of the plan assigned by the General Meeting of Shareholders.

## **3.2. Capital**

### **3.2.1. Charter capital.**

Charter capital as of December 31, 2019 amounted to VND 12,036 billion. (By the end of 2019, SHB was approved by the SBV to increase its charter capital by dividend payment in the form of shares, and by private placement with an amount of VND 3,007 billion. By the beginning of May 2020, SHB has completed the procedure to increase capital, and its chartered capital increased to VND 17,558 billion).

Equity capital amounted to VND 24,816 billion, an increase of 10.7% compared to that in 2018. After completing the increase of charter capital in early 2020, SHB's equity capital reached over VND 32,000 billion)

### **3.2.2. Capital mobilization.**

Total mobilized capital reached VND 337,103 billion, an increase of 16.9% compared to 2018.

- Capital mobilized from deposits of economic organizations and individuals amounted to VND 288,479 billion, equivalent to an increase of 18.5% compared to 2018, completing 101.6% of the plan assigned by the General Meeting of Shareholders.

- The funding source, investment trust from international financial institutions (including WB, ADB, JICA, KFW, ...) of which SHB has been selected as the on-lending and service banks amounted to 2.54 billion USD with 26 projects implemented across the system.

## **3.3. Use of capital**

### **3.3.1. Credit activities**

Outstanding credit loans reached VND 266,193 billion, an increase of 15.0% compared to 2018, completed the plan assigned by the General Meeting of Shareholders. Among which: Outstanding loans to corporates and individuals amounted to VND 265,162 billion, balance of corporate bonds was VND 1,031 billion.

Individual credit outstanding balance reached VND 254,922 billion, up 14.31% compared to 2018, ensuring the compliance with the regulations of the State Bank.

### **3.3.2. Deposits and loans at other credit institutions**

The balance of deposits and loans to other credit institutions was VND 33,708 billion, an increase of 15.0% compared to 2018.

### **3.3.3. Fixed assets.**

The value of accumulated fixed assets as of December 31, 2019 was VND 4,818

billion, an increase of VND 25 billion compared to 2018.

### **3.3.4. Investment activities, trading of financial instruments**

#### *a/- Investment in valuable papers*

As of December 31, 2019, the balance of investments in valuable papers (including government bonds, credit institution bonds, economic organization bonds) was VND 22,343 billion.

#### *b/- Capital contribution, long-term investment.*

As of December 31, 2019, the value of capital contribution and long-term investment was VND 166 billion, a decrease of VND 36 billion compared to 2018.

### **3.4. Risk provision**

SHB fully complied with the SBV's regulations on credit risk provision and provisions for other activities.

In 2019, SHB made a provision that exceeded 108% of the plan as approved by the State Bank in the Project to completely handle HBB's backlog, improved the balance sheet quality. SHB has made provision of VND 4,232 billion for VAMC special bonds, and made pre-maturity settlement of VND 5,773 billion special VAMC bonds, which were extended by the State Bank until 2024.

The remaining balance of risk reserve fund of SHB as of December 31, 2019 was VND 4,414 billion.

### **3.5. Business results**

Profit before tax reached VND 3,026 billion, an increase of 44.5% compared to 2018, completing 99% of the 2019 set by the General Meeting of Shareholders.

### **3.6. Compensation for the BOD and Board of Supervisors in 2019**

- In 2019, compensation for the BOD and Board of Supervisors amounted to VND 27.5 billion.

## **4. Business operation of subsidiaries**

### **4.1 SHAMC**

SHAMC was licensed under Decision No. 508/2009/QD-NHNN, dated March 11, 2009 and officially came into operation on December 5, 2009.

After 11 years of operation, the Company has played an increasingly important role to support SHB in debt settlement activities, safely and effectively managing the assets of the Bank and its customers. SHAMC continued to focus on the main activities of purchasing, managing and exploiting debt-handling assets and security services to support SHB's business activities. In addition to meeting SHB's debt handling and asset management needs, SHAMC also provided services and business activities to other

credit institutions in the process of handling outstanding debts and assets in accordance with the law.

The total number of business locations (SHB headquarters) deployed as of December 31, 2019 was 251 business locations; Deployed timely to meet 100% requirements of providing asset management services at business locations across SHB system; asset management activities at the warehouse met 100% of the needs of storage and escorting goods as required by SHB (ensured the operational objectives in 2019 for this activity at SHB AMC).

As of December 31, 2019, the total profit of SHAMC reached VND 11.1 billion; Total number of employees was 769, an increase of 16 people compared to 2018.

#### **4.2 SHB FC**

SHBFC was established on 12/12/2016, on the basis of the merger of Vinaconex - Viettel Joint Stock Company (VVF) into Saigon - Hanoi Commercial Joint Stock Bank (SHB), with a charter capital of VND 1,000 billion.

Currently, SHB Finance focuses on providing cash loan services to mass customer groups, with an average income of VND 3 million such as employees, workers, small business people and other customers who are eligible to provide service bills. These cash amounts are aimed at serving the essential needs of the majority of people with modest incomes, currently accounting for nearly 50% of the general consumer loan needs.

SHB Finance aims to become one of the pioneering financial companies applying technology to quickly meet the financial needs of customers, while improving the quality of services and utilities for customers.

In 2019, the Company has implemented strong sales to create a breakthrough, quickly occupy the market. Diversified sales channels include direct sales channels with a network covering 30 provinces/ cities; telephone sales channel; online sales channel via website, Landing page, facebook fanpage, zalo ... SHB Finance brand has been well received by customers and partners and become a bright spot in the consumer finance market in terms of quality, coverage and speed of business development with outstanding loans of VND 2,727 billion, an increase of 284% compared to 2018, profit before tax was VND 106 billion, an increase of 856% compared to 2018. SHBFC's number of employees as of December 31, 2019 was 1,855, an increase of 706 compared to 2018.

#### **4.3 SHB Laos**

SHB's wholly-owned one-member liability limited Bank Laos was established with a charter capital of USD 50 million, on the basis of model conversion from SHB Laos

Branch. SHB Laos operates independently and has its own organizational structure, providing financial services and products, contributing to diversifying business portfolio, limiting risks, proactively enhancing assessment capability and carrying out more business operations as regulated and authorized by the parent bank in Vietnam. The birth of SHB Laos will bring many opportunities for SHB to exploit, take full advantage of the vast and promising potential of the Lao market, attract investment, contribute to enhancing the prestige and position of SHB in Vietnam's market, as well as in Laos and international financial markets, in line with SHB's vision and brand strategy, contribute to promoting the friendly relationship between Vietnam and Laos.

After 8 years of operation, by December 31, 2019, the network of SHB Laos includes 1 headquarters, 2 branches; capital mobilization reached VND 289 billion, an increase of 32% compared to 2018; customer loan balance reached VND 2,649 billion, up 22%; Profit before tax reached VND 95 billion, an increase of 27% compared to 2018.

#### ***4.4 SHB Cambodia***

With a charter capital of USD 75 million, SHB Cambodia is the second 100%-owned subsidiary of SHB in Indochina after SHB Laos. SHB Cambodia operates independently and has its own organizational structure on the basis of a model transformation from SHB Cambodia branch.

After 8 years of operation, SHB Cambodia has created a diverse customer base including Vietnamese businesses in Cambodia and local businesses, focusing mainly on key economic sectors such as rubber, electric industry, bridges and roads, and mineral exploitation. In the coming time, SHB Cambodia will promote comprehensive development solutions to exploit its full potential and provide a full range of products and services to customers.

By the end of December 31, 2019, SHB Cambodia had 5 transaction points including 1 headquarters and 4 branches with 60 employees. Fund mobilization reached VND 1,216 billion, an increase of 246% compared to 2018; outstanding loans reached VND 6,011 billion, up 7%; Profit before tax reached VND 162.8 billion, up 36% compared to 2018.

## **II. ASSESSMENT ON SHB'S 2019 BUSINESS PERFORMANCE**

Thanks to the unanimous solidarity between the Board of Directors, Board of Management and all employees, with the drastic direction from the BOD and BOM to promote business activities, and strive to complete the 2019 plan assigned by the General Meeting of Shareholders, SHB has achieved positive business results as follows:

## **1. Implementation of financial targets**

- Basically completed financial targets according to the plan assigned by the General Meeting of Shareholders such as assets, outstanding loans, capital mobilization, profits ...

- Handled all VAMC special bonds with maturity of more than 5 years and dividend payment to shareholders.

- Completed the plan of increasing charter capital to VND 17,558 billion.

- Actively handled, recovered bad loans, strictly control new NPLs, the NPL ratio at the end of 2019 was 1.91%.

- Strictly controlled operating expenses, ratio of operating expenses to total net operating income was down at 39.66%, lowest in the last 5 years.

## **2. Organization structure and network continued to be strengthened and expanded**

In 2019, SHB continued to strengthen its organizational structure, completed the functions and tasks assignment of the divisions/ departments in a professional, effective and in-depth manner throughout the system to suit the development strategy with retail banking orientation. Many divisions/functional departments were merged/separated and newly established, namely: Debt Settlement Committee was restructured to form Debt Handling Division, consisting of a number of subordinate divisions; Treasury and Financial Market Division, Information Technology Division,... were also restructured.

The network of branches and transaction offices inside and outside the country has been continuously expanded to enhance competitiveness and realize the goal of becoming a leading retail bank in Vietnam. The expansion was accompanied by the focus on reorganizing and consolidating the network organization, branch organization and transaction offices in a streamlined, efficient manner suitable to the management and administration capability; Completed the approval of opening a representative office in Myanmar to officially open in Yangon in 2019; Expedited the plan of opening a representative office in Australia and a 100%-owned bank in Ivory Coast, continuing the roadmap of developing the scale and network system to reach out internationally. In 2019, SHB has 530 transaction points, an increase of 5 points compared to 2018.

## **3. Human resources development and personnel training**

- Development and improvement of human resources has always been focused by SHB management because people are an important factor in the success of SHB. Therefore, SHB always creates the best working environment to attract and retain talents, creating a professional, solidarity, dynamic, creative and determined “SHB Culture”. SHB is one of the banks with the lowest turnover rate, with long working experience and long-term commitment.



- In 2019, SHB continued to complete the rearrangement of job titles and salary for employees. At the same time, the bank uniformly applied performance evaluation criteria (KPIs) across the whole system to pay fair and accurate monthly income according to employees' dedication and performance on the basis of ensuring the interests of the bank, benefits of employees and the current law provisions.

- Human resources continued to be restructured in order to streamline the organizational structure, help maximize the effectiveness and capacity of each employee; succession planning and appointment are focused to create potential leadership resources, help to improve SHB's management and operating capacity; Promoting the implementation of projects across the system such as human resources software project, project of restructuring the salary system, labor evaluation criteria, bringing many changes towards professionalization to enhance human resources management.

- Training in 2019 was also innovated with various training courses for different titles at the bank, with a focus on professional training and soft skills. Besides hundreds of external and internal training courses, SHB has developed training through high-tech applications, such as: Learning management system - online exam (SHB - LMS); The system of surveying - assessing quality after online courses (SHB - Survey); Learning exchange forum; Training via video conference; .... to minimize training related costs, as well as improve employee productivity.

#### **4. Achieved many reputable domestic and international awards and prizes**

In 2019, SHB continued to receive many awards and high ratings from prestigious organizations at home and abroad, confirming the sustainable development of the Bank.

Top 50 best enterprises in Vietnam honored by Vietnam Assessment Report Joint Stock Company (Vietnam Report).

Top 30 leading economic corporations, private enterprises in Vietnam selected by Forbes Vietnam Magazine.

The award for the Bank with the most innovative savings products in 2019 honored by International Finance Magazine - IFM. This is the 4th year that SHB has been honored and affirmed its continuous efforts to create and innovate technologies in products and services to bring the highest satisfaction to customers.

"Typical Bank of Vietnam in 2019" award for 2 categories of "Bank for Small and Medium Enterprises" and "Best CSR Bank" by Vietnam Banking Association (VNBA) in association with International Data Group (IDG), honoring the Bank's positive contributions to the community and small and medium enterprises.

Country winner of Priority Integration Sector award (finance category) by ASEAN Business Advisory Council (BAC).

STP Award by Bank of New York Mellon (BNY) with rate of standard messages of over 98%. 9 consecutive years honored by BNY Mellon has affirmed the excellent payment service quality, meeting international standards.

Top 50 most valuable brand enterprises in Vietnam by Brand Finance - the world's leading independent valuation and strategy consulting firm. This is the fourth consecutive time SHB has been honored. According to Brand Finance, the total value of SHB's brand is estimated at US \$ 80 million - equivalent to more than VND 1,800 billion - up nearly 60% compared to 2017 - confirming SHB's reputation, financial capacity and competitiveness.

Top 10 prestigious enterprises in Banking - Insurance in 2019 selected by Vietnam Report Joint Stock Company (Vietnam Report). This is also the fourth time in a row SHB was for this award.

Award for Best Project Financing Bank; Best Trade Finance Bank in 2019 (for the category of wholesale banking); Bank with best debit card initiative; Bank with best Online Banking initiative in 2019 (for the Retail Banking Award category) honored by The Asian Banking and Finance Magazine (ABF).

"Best Trade Finance Bank in Vietnam in 2019" award by Alpha Southeast Asia Magazine (AlphaSea). SHB has also been selected for this award for several times previously.

Top 10 most prestigious Vietnamese banks for 4 consecutive years selected by Vietnam Report Joint Stock Company (Vietnam Report).

## **5. Capital mobilization growth was stable and sustainable**

- The growth rate of SHB's customer deposits has been stable over the years and higher than the industry average. (In 2019, the growth of capital mobilization from customers of SHB reached 8.5% while the average credit institution system increased by 15% compared to the end of 2018.)

- Not only achieving a high growth rate, SHB's capital mobilization structure also showed efficient and sustainable growth. In particular, savings deposits from individuals accounted for a high proportion with more than 66% of total deposits (individuals and corporates).

## **6. Safe credit growth, in line with guidelines and policies of the Government and SBV**

Taking its leading role as one of the five largest joint stock commercial banks in Vietnam, SHB had actively responded to the policy of the Government and the State

Bank of Vietnam, whereby loans were prioritized to finance key industries under the Country's 2011-2020 socio-economic development strategy, namely: rural & agriculture, export, small and medium-sized enterprises, supporting industries, high technology enterprises and start-up enterprises, etc.

For corporate customers, in recent years, SHB has actively maintained and implemented many key credit programs and products, such as: Subsidized loans for businesses in purchase of rice for temporary storage during Summer-Autumn and Winter-Spring season crops; loans for aquaculture, seafood processing, export; loans for agricultural, forestry, fishery and salt production, developing industries, and investing in the construction of rural infrastructure, suppliers sponsor, product guarantee; Guarantee to the investors on the handover of future houses; Guarantee of credit products for construction enterprises; etc.

For individual customers, with the strategic orientation of becoming a leading modern universal retail bank, SHB has continuously researched and developed diversified, competitive products, suitable to the income of various groups of customers. Retail products and services are designed for each customer, with SHB's cooperation with many partners, aiming at bringing customers superior values.

The development of credit packages with many incentives and supports for each field, industry, and target group of customers that SHB has been implementing is considered a realization of the commitment to always accompany and share the financial burden with customers, in line with the customer-centric philosophy set out by the Bank.

#### **7. Application of modern information technology system to executive management, product development, technology development, modern banking products and services on modern information technology platform**

- In 2019, SHB continued to improve and implement many key technology projects to support the Bank's governance and management activities, improve the quality of products and services, and ensure risk management. In particular, SHB continued to implement the "Bank Modernization" Project through a 5-year general information technology strategy consulted by IBM Group, taking the lead in the trend of the 4.0 industrial revolution. Some major projects/ solutions can be listed as: Customer Centricity, Big Data, Digitalization, Process Optimization, Technology, IT Operating model.

- Product development has always been enhanced with diversity, utilities, applications based on advanced technology, through all transaction channels including ATM, POS, Internet Banking, Mobile Banking, SMS Banking, Phone Banking ... Many new products were issued to ensure high competitiveness from prominence and

differences, based on the needs and characteristics of each customer segment, each market, locality and the trust of over 4 million customers.

## **8. Internal inspection and control**

Trong năm 2019, công tác kiểm toán nội bộ tiếp tục được tăng cường bao gồm kiểm toán tại chỗ, kiểm toán nội bộ đột xuất, các cuộc kiểm tra theo đơn thư khiếu nại/tố cáo phát sinh,.. Công tác kiểm toán đã kịp thời phát hiện, kiểm tra, báo cáo một số vụ việc sai phạm trọng yếu tại các ĐVKD, kiến nghị khắc phục tới các cá nhân/đơn vị có liên quan nhằm hạn chế tối đa rủi ro cho SHB.

## **9. Risk management**

In 2019, SHB has completed relevant works to ensure compliance with the requirements of the State Bank, as well as built a complete and roadmap to meet Basel II standards with the Standard Approach, aiming at using the internal model in subsequent years. The Basel II Project Committee also completed the implementation of required components of finance, system, policies, documents, auditing programs, capacity building training, risk management awareness to be accepted by the SBV as compliance with Circular 41 on 1/1/2020. In 2019, SHB has implemented a project to build an overall roadmap to comply with Basel II (Basel II Master Plan) and a project to build an overall IT roadmap for the next 5 years (IT Master Plan). On this basis, SHB is gradually consolidating the data management to support the calculation of risk weighted assets and capital adequacy ratio. In the mean time, SHB has applied the system to calculate capital scenarios to better meet planning and ICAAP compliance requirements in the following years.

## **PART II**

### **BUSINESS PLAN IN 2020 AND BUSINESS INITIATIVES**

#### **I. BUSINESS PLAN IN 2020**

##### **1. Macroeconomic forecasts, orientations and policies of the SBV in 2020**

The COVID-19 pandemic caused stoppage and disruption of several production, economic and social activities in many economies around the world, the basic indicators of the world economy were all very bad: rising unemployment, falling raw material prices, many international organizations continued to lower GDP growth global forecasts for 2020.

At home, the Government is determined to synchronously implement solutions to reboot the economy, control inflation below 4%, and GDP in 2020 is targeted to achieve a growth rate of over 5%. To do so, attracting FDI, promoting exports, promoting public

investment, attracting private investment, boosting domestic consumption are 5 breakthrough initiatives to grow, develop, overcome difficulties in this period.

For the banking sector, in 2020, the State Bank expects additional credit for the economy to be about VND 900 trillion to VND 1.1 million, which is a forecasted increase of about 11% - 14%. In any case, the SBV will control banking activities to ensure adequate supply of capital for the economy, including during the epidemic prevention and recovery phase with lower lending interest rates.

## **2. Expected outcomes, impacts of the pandemic to SHB**

- Banking industry as well as SHB will be negatively affected in the short term since the COVID-19 pandemic is spreading worldwide, so the risk of increasing NPLs is unavoidable.

- Prudential ratios of the banking system, as well as of SHB will tend to tighten to ensure long-term growth, so the current credit growth depends on the quality of assets and the level of responsiveness to operational safety requirements. Although the Bank has met Basel II standards under Circular 41/2016, SHB will still have to continue to make efforts to maintain the required CAR ratio at all times.

- From the beginning of 2020, the ratio of using short-term capital for medium and long-term loans will be reduced to 40%, and reduced to 30% by 2022 while the mobilization of medium and long-term loans is still very difficult at the moment.

## **3. Action plan of SHB in 2020**

### ***3.1. Business orientation***

Grasping the guidelines and views of the Party and the Government, the SBV on the goal of continuing to fundamentally, thoroughly and comprehensively restructure the system of credit institutions in the period of 2016 - 2020, SHB has closely followed these guidelines with appropriate business strategies and plans in 2020:

- Becoming the leading modern retail bank in Vietnam, strongly shifting towards digital technology, promoting the current customer ecosystem and the value chain of SHB.

- Customer is the focus, the driving force is people and technology, elements of risk management, product development, sales, services, ... are the foundation of development.

- Develop modern products and services suitable to each target customer segment, especially retail banking products

- Continue to comply with SBV's requirements on Basel II by applying ICAAP in planning and monitoring capital.

- Ensuring resources are provided to support growth and risk management.

- Implementing a comprehensive and digitized banking modernization campaign to improve labor efficiency and business efficiency as well as improve the quality of SHB services.

- Restructuring governance and executive management, improving capacity and productivity.

### **3.2. Business targets of SHB in 2020**

Based on the business results of 2019, business forecasts in 2020 and the orientation to reach the Top 3 largest commercial banks in Vietnam, SHB identifies the main objectives of the whole system by the end of 2020 as follows:

#### **\* Business development targets**

1. Scale of total assets continued to be among the top 5 largest private commercial banks in Vietnam with an average increase of 10% - 13% / year.

2. Market 1 Funding size (corporates and individuals) rank 4th among the largest private commercial banks in Vietnam.

3. By 2020, the credit market share will be ranked third in Vietnam's largest private commercial bank system (excluding 4 state-owned commercial banks).

4. NPL to total outstanding loan below 3%.

5. Actively handle / recover bad loans, overdue loans: 2020 plan is to recover bad loans of VND 6,081 billion (including assets seizure). Buy back of VND 1,000 billion of VAMC special bonds.

6. The rate of service income / total net income is expected to reach 10% -12%.

7. Comply with regulations of the State Bank on capital adequacy ratio, liquidity ratio, interest rate risk management, market risk management...

8. Ensuring the efficiency indicators ROA, ROE, NIM, CIR.

9. Restructuring the credit portfolio to reduce risks while ensuring credit growth and profit. The target of outstanding medium and long-term loans for corporate customers does not exceed 60% of the total loan portfolio of corporate customers.

#### **\* Operation targets**

10. Continue to improve governance capability, make reform, innovation of the administration system of the Head Office Executive Committee.

11. Improving risk management, strengthening inspection, control, internal audit, risk management in each business activity to improve the ability to early detect operational risks of SHB.

12. Strengthen management, supervise and enhance the recovery of bad loans and problem loans, establish strict loans management procedures in line with business targets, to ensure credit growth together with credit quality.

13. Continuing to invest in the application of information technology to improve the capacity of executive management, reform and innovation of human resources development in order to create a highly qualified labor force; Limiting risks, simultaneously developing a variety of synchronized and convenient banking products and services, improving employee productivity.

14. Focusing on reviewing all business operational procedures to simplify the documents and procedures to increase the competitiveness of SHB in comparison with other commercial banks.

15. Focusing on promoting the role of the Bank in serving ODA capital of international financial institutions; Promoting mobilization of capital from domestic and international financial institutions, especially long-term funds and reasonable costs.

16. Promoting communication and international relations to strengthen the brand and enhance SHB's position in the domestic, regional and international markets.

17. Promote activities of the Party Committee, Youth Union, Trade Union to educate morality, improve solidarity, commitment of staff, preserve and develop corporate culture with traditional identity of SHB, thus create a collective strength that contributes to the Bank's sustainable development.

### **3.3. Business plan until end of 2020**

Based on the results achieved at the end of 2019 and development goals in 2020, SHB expects profit growth from 35% -40% in 2020. However, the Covid-19 pandemic outbreak in early 2020 had huge impacts on the economic growth of the world and Vietnam, in which the banking industry was also significantly affected. At the same time, in response to the call of the Government and the SBV, SHB has actively implemented customer support packages for those affected by Covid-19 epidemic, such as: issued a credit package of VND 25,000 billion with many preferential interest rates, exemption of most customer transaction fees, and a minimum reduction of 50% of transaction fee paid via the Electronic Payment System, exemption and reduction of interbank money transfer fees and a variety of other transaction fees ... Under the above impacts, SHB must adjust its business plan in accordance with the actual situation.

Some basic financial criteria are expected for 2020 as below:

*Unit: VND billion*

No.	Criteria	Plan in 2020	Vs. 2019
1	Total assets	408,448	43,194
2	Charter capital (*)	19,314	7,278
3	Mobilization from corporates and individuals	334,636	46,157
4	Credit loans	306,122	39,929
5	Profit before tax	3,268	242

6	NPL ratio (%)	<3%	
7	CAR	>8%	
8	Loan to Deposit ratio (LDR)	<85%	
9	Use of short-term capital for medium and long-term loans	<37%	
10	Reserve ratio	>10%	

(\*) SHB has completed its dividend payment and private placement, raising the total SHB charter capital as of May 5, 2020 to VND 17,558 billion. In the third and fourth quarters of 2020, SHB is expected to pay dividend from 2019 profit at a rate of 10%. The time of dividend payment in 2019 and the dividend rate shall be conducted as approved by the State Bank.

### **3.4. BOD and Board of Supervisors remuneration plan**

It is estimated that the total budget for the Remuneration of the Board of Directors and the Board of Supervisors in 2020 shall be equal to 1.5% of SHB's 2020 profit after tax.

## **II. ACTION PLAN TO ACHIEVE BUSINESS TARGETS IN 2020**

In 2020, macroeconomic forecasts in general and banking industry in particular have improved but still contain difficulties and challenges. Continuing to expand its operation scale, enhance its management and administration capacity in the context that the market is still facing many difficulties, posing many risks with increasing complexity require SHB to focus on developing its business, mobilize all resources, and at the same time have solutions to promptly cope with the changes of the economy. Therefore, SHB actively proposes the action plan as follows:

### **1. Focus on handling NPLs**

- Focus on NPLs handling by various solutions, such as: Specialize, consolidate the organizational structure of loans settlement, loans settlement by means of collection by cash and property seizure, together with focusing on loans settlement through specialized debt collection companies.

- Complete and issue professional instructions/procedures related to loans settlement in order to unify the implementation methods for each activity, including specific channeling mechanism to avoid overlap and problems in coordination among units in handling problem loans.

### **2. Effective cost management, reduce management costs from 10% - 15%**

- Revise the set of regulations on management of operating expenses in order to supervise and strictly manage, as well as apply sanctions and penalties to raise the awareness for economical and efficient use of resources to cut down operating expenses;

- Issue regulations on cost management, cost norms to tighten spending to ensure costs are correlated with efficiency, and tighter cost management.



- Review all management expenses, business processes of the whole system, thereby reduce unnecessary expenses.

### **3. Strengthen business management and encouragement mechanisms**

- Encourage business units to fulfill the 2020 plan targets via tools such as: assign and monitor, evaluate plans, personnel management policies, product policies, interest rates, emulation and reward policies ...

- Systematize documents, regulations, processes and forms related to vertical management activities such as: process of assigning business targets, process to promote business, the process of developing and managing business personnel, etc.

- Strengthen supervision through monthly meetings with business units to evaluate business results, remove difficulties and obstacles, and orientate business development for the next month.

- Closely assess business results, development and evaluation of KPIs: carry out the evaluation of business units and personnel on a monthly basis

Develop emulation and bonus policies from time to time, create motivation for each sales person.

### **4. Development of banking policies and products**

- Partner development: Review, evaluate and identify potential strategic partners; research areas to identify development trends and growth potentials for each product; establish target markets to find out suitable partners; develop specific policies and product packages for customers to buy houses/ land/apartments in projects invested by SHB's corporate customers, projects sponsored by SHB ; work with business associations in Vietnam and foreign business association to develop partners base.

- Exploit existing customers: develop cross-selling programs for businesses currently having relations at SHB; develop VIP customer communication programs at business units;

- Market research: prepare reports on the market situation of the retail banking industry and competitors to collect, check and select the data; Propose target sectors, target customers and target products according to customer segments;

review, amend and implement preferential policies for loans to customers, ensure competitiveness, but still ensure the overall effectiveness of the Program/ Policy.

### **5. Strengthen Management of human resources development and training**

- Set up a norm system for a number of titles, title groups at business units; On the basis of norms, business results/ work results serve as a basis for reviewing the use of efficient and good quality labor to avoid redundancy.

- Build OOS personnel software, KPIs management and evaluation software in order to accurately evaluate business results and performance of employees across SHB system.

- Organization and management of training focus on 6 main groups of programs / content: Management and leadership skills for management levels at head office and business units, Improve sales skills for sales staff, Advanced professional training, Training of essential skills to meet requirements of the positions according to title criteria, Training & fostering development Part-time lecturers, Integration training for managers and newly recruits; Implement training record management and compensation in a timely and appropriate manner.

- Invest in and implement the project to upgrade SHB elearning system to meet the requirements of study-exam/survey to assess the quality of training, and to manage the training data system; Digitize existing lectures into multimedia lectures (video, interactive, audio, etc.)

## **6. Risk management**

- Implement Basel 2 Project to ensure timely implementation to comply with the SBV's requirements on ICAAP as prescribed in Circular 13; Effectively allocate funds with risk adjustment;

- *Credit risk management*: Credit risks are identified, analyzed and assessed in all new / revised products, processes and regulations related to credit risk management before promulgation; Assess and analyze the credit portfolio, propose measures to improve the efficiency and quality of the investment portfolio; Report, monitor credit limits to ensure compliance with SBV requirements and SHB internal regulations and requirements; Review and evaluate the effectiveness of the internal credit rating model for individual and corporate customers and deploy the model upgrade; carry out measurement and estimation of credit risk losses and calculation of break-even cost, loan interest rate for each customer.

- *Operational risk management*: Maintain continuous operation; Gather internal and external operational risks events; Edit the KRIs; Improve the effectiveness and efficiency of SHB's internal control system; Strengthen discipline and strictness in the work of overcoming and correcting after Internal Audit, contributing to improving the quality, operational safety and reputation of SHB; Refine the set of document identification indicators;

- *AML*: Manage the control points of AML, develop and update tools for business units in the operational process related to AML

- *Market risk management*: Research / Develop / Set up / Review / Modify, finalize measurement (Model / tool), reports, market risk limits.

## **7. Review, revise, promulgate internal documents and provide legal advice**

Appraise and comment on legal aspects of SHB's draft contracts and agreements related to customers and partners; Assess legal risks and provide solutions to solve problems to ensure business activities of SHB are smooth and effective.

Summary of legal advice and / or warning situations for the whole system to assist the units in the system in limiting legal risks arising. Legal risk warning through the issuance of Legal Newsletters to limit risks arising to SHB's units

Update, evaluate changes of new legal documents in the internal document system, and activities of SHB and make recommendations, to amend the documentation system, as well as give legal warnings to ensure SHB's operations are smooth, safe and lawful.

## **8. Strongly develop and invest in modernizing banking information technology**

- Continue to promote the application of information technology to the governance, risk management, products and services to improve labor productivity;

- Ensure the stability, continuity and high availability of IT systems throughout the system; Strengthen inspection and supervision of administration and system operation to minimize internal risks and prevent outside attacks to help IT systems operate safely and efficiently;

- Research new IT application solutions to serve banking activities in order to improve operational efficiency and prevent risks

## **9. Internal control, compliance and internal audit**

- Carry out on-site audit plan or a comprehensive audit of the activities of certain SHB Business Units, ensuring the requirements and principles of risk-based orientation, comprehensiveness, ...

- Perform regular remote monitoring such as monitoring of business results and risk monitoring indicators at each business unit on a monthly basis; Monitor prudential ratios, risk limits following State Bank's regulations, SHB's risk appetite statements and relevant supplementary guidance and amendments; ...

- Implementing the post-audit monitoring and monitoring the implementation of recommendations of the Supervisory Board: Monitor the implementation of the Internal Audit recommendations by the Board of Directors, CEO, and related individuals and units in the SHB system; Review, classify and synthesize the recommendations of the Supervisory Board as a basis to urge and monitor the implementation of the recommendations of the Supervisory Board; Review remedy results to update

uncompleted petitions, thereby assess the implementation of the recommendations of the Supervisory Board by related individuals/units.

#### **10. Marketing and brand development**

Strengthen, create and innovate new and different brand activities (including differences compared to SHB), in accordance with the development trend of the market and the banking and finance industry.

Promote and expand internal communication channels, as a tool to enhance corporate culture and strong brand positioning through SHB people.

Enhance the quality and type of designs, update according to new design trends; carry out image building activities: take better photos, videos,

#### **11. Other solutions**

- Actively participate in CSR programs, such as: support philanthropy, sponsor the construction of schools, hospitals, build gratitude houses, ...

- Preserve and develop SHB's corporate culture; improve the solidarity and commitment of employees to create collective strength to contribute to the sustainable development of the Bank.

Above is the report of business results in 2019 and business plan of SHB in 2020, respectfully submitted to the General Meeting of Shareholders for consideration.

Regards,

**CEO**

**CHAIRMAN**