

GREEN VALUES SUSTAINABLE GROWTH

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REPORT AND ASSESSMENT OF THE BOARD OF MANAGEMENT



The Board of Directors awarded the Certificate of Merit to the Executive Board at the 2024 Business Implementation Conference

In 2023, the global landscape presented numerous challenges amidst sluggish economic growth, soaring inflation rates, reduced global trade, volatile basic commodity prices, and geopolitical tensions. Meanwhile, central banks across the globe continued to maintain high operating interest rates, with the US Federal Reserve (FED) and the European Central Bank (ECB) raising theirs four and five times, respectively. Many currencies also experienced sharp devaluations. In Vietnam, drivers for export, investment, and consumption faced challenges due to weak global demand, leading to businesses struggling with dwindling orders and markets. Ongoing issues related to corporate bonds and insurance also continued to affect Vietnam's market sentiment and banking system stability.

While major countries have suffered from high inflation and have applied tightening measures in order to control, in Vietnam, the State Bank has adopted a proactive, effective, flexible, and robust approach to operate monetary policy in close alignment with fiscal and other macroeconomic policies, contributing to macroeconomic stability, inflation control, economic growth recovery, and the safe development of the credit institution system.

Under the Board of Directors' strategic, visionary orientations and the Leadership's timely and effective directions, HDBank has demonstrated a highly proactive and adaptable response to the fluctuations in both the global and Vietnamese economies. With a sustainable and flexible development strategy, HDBank continued to affirm its position in the banking sector with a series of outstanding achievements in 2023:

- ▶ In term of profit, HDBank achieved 98.6% of the consolidated target and 103.4% of the separate one. Other financial indicators all outperformed strategic targets and commitments to investors. HDBank was ranked among the TOP performers in terms of profitability and was one of the banks with a low and well-controlled non-performing loan ratio.
- ▶ Upholding the commitment to "Sustainable development, pioneering leadership," HDBank was one of the first banks to have successfully applied Basel III standards in risk management, maintaining the Capital Adequacy Ratio (CAR) above 12%, which was well above the regulatory minimum of 8% and among the highest in the sector.

- ▶ HDBank achieved a prominent position and reputation in the market: ranking 2nd in government bond trading volume; 3rd among proprietary trading members, and 8th among government bond repo trading members.
 - ▶ HDBank has digitalized end-to-end of the customer journey to provide ultimate convenience, launching Vikki - the Digital Banking Destination, accelerating the offering of products and services via mobile/internet banking channels with a "one-click" approach.
 - ▶ HDBank's priority banking services has been launched and Commercial Banking Centers (CMBC) were established nationwide;
 - ▶ HDBank's international cooperation efforts continued to reach significant milestones such as cooperation with IFC and Raiffeisen Bank International on trade finance, with Fulbright University Vietnam on counterpart funding, and with Visa on implementing their installment payment solutions in Vietnam.
 - ▶ HDBank shares were included in the VN Diamond index basket and continued to be part of the VNSI Sustainability index basket. The market price of HDBank shares also surged by 54.3% in 2023, outperforming the banking sector average, VN30, and VNIIndex by 2.5, 4.3, and 4.45 times, respectively.
- ▶ HDBank has pioneered the implementation of several initiatives:
 - 2023 is the third year of implementing HDBank's 5-year strategy 2021-2025, with the goal of becoming the most profitable bank, the Happy Digital Bank brand becoming a national brand, reaching internationally by the end of 2025, HDBank's strategy has focused on the following key objectives:
 - Taking the lead in "greening" credit lines in high-tech agriculture and renewable energy with environmentally friendly production plans. To date, HDBank has disbursed over VND 13 trillion into green projects, with strong financial support from many major global financial institutions.
 - Pioneering livestream sales on TikTok platform and currently ranked No. 1 among 11 banks in terms of TikTok followers.
 - ▶ HDBank has been honored with 40 prestigious domestic and international awards, including several awarded consecutively over the years, such as: "Best Workplace in Asia" honored by HR Asia Awards for 6 consecutive years, among the Best Large Cap Companies with the Best Annual Reports - Finance Sector for 5 consecutive years, and consistently achieving the Elite Quality Recognition Award for International Payment from JP Morgan Chase Bank for many years.



FINANCIAL PERFORMANCE

TOTAL ASSETS

VND **602,315** BILLION

An increase of 44.7% compared to 2022

HDBank's total assets have experienced consecutive growth over the years, reaching VND 602,315 billion in 2023, representing an increase of 44.7% compared to 2022 and surpassing the planned target by 15.8%.

The Bank's asset structure continued to demonstrate a rising proportion of profitable assets, maintaining a steady level of 83.4%. HDBank consistently maintained high asset quality with a low NPL ratio.

CREDIT ACTIVITIES

Total outstanding credit balance reached

VND **353,441** BILLION

An increase of 31.8% compared to 2022. HDBank has been among the leading banks with high credit growth rates, complying with the limits granted by the State Bank of Vietnam.

In 2023, HDBank has focused on promoting lending to key drivers for economic growth such as lending to the rural and agricultural sectors, chain financing, lending to export enterprises, fast-moving consumer goods industry, SMEs, business households, local traders, and renewable energy projects.

In support of the economy, HDBank has continued to offer credit packages worth tens of trillions of Vietnamese Dong with preferential interest rates to individuals and businesses to contribute to facilitating economic recovery.

CHARTER CAPITAL

VND **29,076** BILLION

An increase from VND 25,303 billion by issuing shares to pay dividends in shares at the rate of 15%

In 2023, HDBank issued shares to pay dividends and to increase the Charter Capital from VND 25,303 billion to VND 29,076 billion.

The increase in charter capital has contributed to strengthening HDBank's financial capacity and competitiveness, scaling up the Bank's operations, improving safety indicators as well as supplementing capital for lending to customers to adapt the demand for expanding production and business of individuals and businesses.

DEPOSITS

Total deposits reached

VND **536,641** BILLION

An increase of 46.5% compared to 2022, securing capital demand and high safety of liquidity.

In the challenging global and Vietnamese economic landscape, capital mobilization has become a fiercely competitive segment among banks. Nevertheless, HDBank's due to customers surged by 71.8% to VND 370,778 billion, affirming the Bank's market reputation, brand, as well as the trust of customers. In addition, HDBank continuously launched deposit products with competitive interest rates, diversified distribution channels and deployed many incentive programs for the Bank's customers. The lifetime zero-fee account service packages - eSkyOne for individuals and Bemax for corporate customers - could be considered the key factors contributing to reducing cost of funds and increasing net interest margin.

CREDIT QUALITY

Consolidated NPL ratio at **1.79%**

Separated NPL ratio at **1.51%**

Well-controlled at a low level compared to the industry average

HDBank always focuses on controlling credit quality while enhancing credit growth.

Risk management activities have been effectively carried. Credit activities comply with safety limits. Credit has been promoted to industries, fields considered as the driving force of the economy, and limited to industries with high potential risks.

PROFIT BEFORE TAX

VND **13,017** BILLION

An increase of 26.8% compared to 2022, the highest level ever achieved.

HDBank's profit before tax in 2023 reached VND 13,017 billion, increasing 26.8% compared to 2022, achieving 98.6% of the consolidated target and 103.4% of the separate one assigned by the General Meeting of Shareholders.

- ▶ In the period 2018 - 2023, HDBank's profit grew at a compound rate of 26.6%.
- ▶ The Bank's total income reached VND 26,414 billion, an increase of 20.2% compared to 2022. The net interest margin (NIM) of HDBank separately improved from 3.97% in 2022 to 4.12% in 2023, the consolidated NIM reached 5.1%. The net interest income and net gain from investment securities trading were served as the primary drivers for profit growth. HDBank has implemented decisive measures to increase CASA ratio, thereby improving NIM and overall income.

CAPITAL ADEQUACY RATIO - CAR (ACCORDING TO BASEL II STANDARDS)

12.6%

Standing among the leading banks with the highest CAR

HDBank's CAR is among the highest in the banking sector. As a forerunner in the early adoption and completion of Basel II, HDBank has fully adopted Basel III Reforms and is expected to official apply these standards in operations on Q2 2024. This critical step solidifies HDBank's robust risk management foundation in operations, ensuring compliance with international standards, enhancing the Bank's reputation and creditworthiness, ultimately creating a competitive edge in the market and supporting its global integration efforts.

PROFITABILITY RATIOS

ROAA reached

2.03%

ROAE stood at

24.2%

placing HDBank among the top performers in the banking sector

HDBank is consistently placed among the industry leaders in terms of profitability ratios, with ROAA demonstrating continuous growth and ROAE consecutively exceeding 20% over the years, respectively reaching 2.03% and 24.2% in 2023.

ROBUST MARKET-DRIVEN TRANSFORMATION

Improvements in organizational structure, customer engagement approaches, sales channels and human resource policies

STRATEGIC VISION AND SOLID FOUNDATION

With the strategic goal of becoming a leading financial group in the market with outstanding products and services, an international network, safe and efficient operations, and a brand that is proudly trusted by customers, HDBank remains steadfast in implementing sustainable development strategy, focusing on retail and digitalization, striving to improve customer experience and value. As one of the fastest-growing banks in recent years, HDBank has faced numerous challenges throughout its development.

To maintain stability and success, in addition to the guideline of operating safely and effectively, HDBank also sets specific responsibilities towards the goal of “sustainable development.” HDBank’s strategic objectives are actualized through specific strategic initiatives and journeys. Up to now, the initiatives have gradually been put into operation, contributing to creating a solid foundation and propelling HDBank closer to achieving its five-year goals by 2025.

THE DYNAMIC, INNOVATIVE WORK ENVIRONMENT

In the era of digitalization and technology, to elevate the working environment, HDBank has constructed the new head office as an “Innovation Hub” at Saigon Hi-Tech

Park, and invested in international-standard facilities such as Data Centers, Smart Buildings, and Innovation hubs, aligning with the orientation “to develop the Hi-Tech Park into a technology hub, contributing to the advancement of science, technology, and the socio-economic development of Ho Chi Minh City”. This location has been attracting large technology enterprises and corporations both domestically and internationally, providing the best research facilities, workspaces, product testing areas and infrastructure conditions to support the research and development of technological ideas according to international standards, contributing to enhancing convenience and flexibility in activities, promoting the development of HDBank.

The “Innovation Hub” offers the following facilities:

- ▶ Smart multi-media system
- ▶ Smart Building control system
- ▶ Implementation of material solutions for aesthetic and green constructions
- ▶ Green energy system
- ▶ Utility services for employees
- ▶ Landscape, greenery, and entertainment facilities
- ▶ Digital transaction system

GALAXY
INNOVATION HUB



AMENDMENT OF THE ORGANIZATIONAL STRUCTURE

In 2023, HDBank launched Happy Digital Bank, marking a major step forward in its 2021-2025 digital transformation strategy.

IMPROVEMENTS IN CUSTOMER ENGAGEMENT APPROACHES AND SALES CHANNELS

HDBank has diversified its sales channels by leveraging new applications and websites with an e-commerce mindset and is one of the pioneering banks in innovating customer engagement approaches:

- ▶ Pioneering the development of dedicated websites for all 63 provinces and cities, facilitating farmers’ access to e-commerce platforms, which has been well-received by the community; pioneering livestream sales on TikTok platform and currently ranked No. 1 among 11 banks in terms of TikTok followers.

- ▶ Furthermore, in 2023, HDBank officially launched the exceptional customer service - HDBank Priority - “Enjoy privileges, increase benefits”, offering tailored products, great deals, and outstanding benefits for mid-and high-end customers. The payroll package “Happy Di-Payroll” stands out as a comprehensive financial solution for payroll payments with extensive and leading utilities and incentives for both businesses and their employees.

With a comprehensive operational optimization approach, HDBank has continuously scaled up and enhanced the operational efficiency of branches and transaction offices, ensuring safety, effectiveness and sustainability in operations. In addition, the Kiosk Bank - automatic banking model has been gradually put into operation, while Commercial Banking Centers have been opened nationwide to expand HDBank’s operating areas.



In 2023, HDBank officially launched HDBank Priority - “Special privileges with increased benefits”

NUMBER OF EMPLOYEES

TOTAL

17,345 employees,

HDBank separately

9,627 employees

an increase of 6,24% compared to 2022

Achieving remarkable business results and outstanding achievements in human resource management, in 2023, HDBank has executed a number of specific plans and actions to attract, retain, develop, and train top talents, as well as to prepare the next generation of leaders and managers to sustain growth momentum and ensure sustainable development in the coming years.

Following the orientation of building HDBank as the second home of every employee, the Bank's leadership places great emphasis on comprehensive compensation, welfare, emotional well-being, and corporate culture policies that foster career growth and emotional well-being for each employee.

For many years, HDBank has consistently maintained a professional working environment and applied an exceptional compensation and welfare policy such as performance-based bonuses, the offering of preferential loan interest rates, unsecured loans, periodical medical care, and international health insurance for employees with tenure of over 5 years. HDBank's employees also benefit from ongoing training and reskilling programs.

To harness the potential of its talent pool, HDBank has organized programs such as the "Golden Gerbera" business completion program, programs to honor outstanding long-term employees, the "HDBank Next Leaders" program which aimed at internal recruitment for key leadership positions, aligning individual career advancement with the Bank's overall development. In addition, in 2023, HDBank Training Center conducted 767 training courses for employees.

Strategy and culture stand as two of the most powerful tools for maintaining operational effectiveness. Culture translates goals into values and beliefs, and navigates

HDBANK EMPLOYEES WITH OVER 5 YEARS OF TENURE

Accounted for

39.4% /of the total staff

An increase of 21.6% compared to 2022

actions through shared beliefs and norms. When aligned with strategy, a strong culture drives positive results. As such, during this strategic period of 2021-2025, HDBank has directed its efforts into building and cultivating a distinct corporate cultural identity to create a one-of-a-kind culture that reflects its identity.

HDBank places great emphasis on a strong internal culture that celebrates humanistic values, which is evident through programs which have become the unique brand and pride of HDBank's employees, such as "HDBank in me" writing competition, "The Charming HDBank" photo competition, "Our work narrative" film competition, "My favorite book" review competition, "CEO Speakout" talk-show, "Happy Friday" program... Such those programs have contributed to fostering a sense of unity with the broader HDBank family in the passion and satisfaction of each employee, and served as a platform for promoting dynamism, creativity, and connectivity.

The digital culture is also one of HDBank's competitive edge in the labor market. The comprehensive digitalization of the Bank's human resource management activities has supported the stronger and more consistent in information connection and human resource development, enhancing value synergies for improved operational effectiveness. HDBank has deployed and expanded the application of technology solutions in operations, such as tracking attendance, evaluating KPIs online weekly/monthly/quarterly via the "People World" and the "People HDBank" applications, managing employee information via the "HDBank Power Home" application, connecting and exchanging information via "Workplace" and "Workplace Chat", training on the "E-Learning" platform. Those are significant factors for HDBank to be honored as the "Best Companies to Work for in Asia" for the 6th time and the "Digital Transformation Awards" on August 3, 2023.

EXPLANATION OF THE BOARD OF MANAGEMENT TO AUDITORS' OPINIONS

PwC Vietnam Limited gives no qualified opinion, emphasis of matter or other matter on the 2023 financial statements of Ho Chi Minh City Development Joint Stock Commercial Bank.

