

*Hanoi, March 12, 2024*

## **REPORT ON BUSINESS PERFORMANCE IN 2023**

*(To be submitted to the 2024 Annual General Meeting of Shareholders)*

### **A. OVERVIEW REPORT**

#### **I. Market overview in 2023**

In 2023, the global economy continued to face many difficulties and challenges, with most economies worldwide experiencing lower growth than expected due to declining aggregate demand; inflation has cooled but remains high; monetary policies have tightened, global public debt has reached record levels, the military conflict between Russia and Ukraine has become more complex, political instability, food security, natural disasters, climate change... are increasing. By the end of 2023, international organizations had adjusted their forecasts for global economic growth compared to previous projections in various directions, but most forecasts were lower than the growth rate in 2022.

The economy of Vietnam is not immune to the impact from major economies, which are also the main export markets of Vietnam in general. Additionally, domestic demand is weakening, leading to Vietnam's economic growth reaching 5.05% in 2023. The main factors affecting Vietnam's economic growth in 2023 include:

- The driving force of Vietnam's economic growth in 2023 depends on domestic investment, including public and private investment, as well as domestic consumption. However, disbursement of public investment remains slow, reaching 579 trillion dong, accounting for 81% of the planned 711 trillion dong for 2023. Meanwhile, private consumption will continue at a moderate level due to businesses downsizing amid declining business confidence;
- Manufacturing and processing sector: The PMI index for manufacturing and processing has dropped below 50 since March 2023 due to weak trade growth leading to many business closures;
- In the service sector, especially in areas such as retail trade, accommodation, food services, entertainment, and passenger transportation, there are signs of recovery;

- Foreign direct investment (FDI) implemented in Vietnam in 2023 is estimated at \$23.18 billion, up 3.5% compared to the same period last year. FDI disbursement is showing a positive trend, which will be an important source of capital alongside public investment as private investment is currently very low;
- Business activities: Overall in 2023, the country saw 217.7 thousand newly registered and reactivated businesses, up 4.5% from the previous year; on average, 18.1 thousand new businesses were established and reactivated per month. Meanwhile, the number of businesses withdrawing from the market is 172.6 thousand, up 20.5%; on average, 14.4 thousand businesses withdrew from the market per month.
- In 2023, many banks not only increased their total non-performing loans (NPL) but also saw the quality of debts by debt category deteriorated. The NPL ratio continued to increase throughout 2023, reflecting most accurately the difficulties in the economy. According to statistics from financial reports, the total NPLs of the entire banking industry as of the end of 2023 was 194,968 billion dong, up 40.5% compared to the beginning of the year, in particular, 27 out of 28 banks had an increase in NPLs compared to the beginning of the year.

## **II. Overview of business performance in 2023**

In 2023, An Binh Commercial Joint Stock Bank (ABBANK) achieved positive results in expanding its overall scale and all safety ratios were well controlled in accordance with the regulations of the State Bank of Vietnam (SBV). However, amidst the general difficulties of the Vietnamese economy in 2023, profits before tax did not meet the set targets.

With a strategic direction towards retail banking, action plans to serve the needs of retail banking (RB) customers and small and medium-sized enterprises (SMEs) have been prioritized by ABBANK since the beginning of 2023. ABBANK has recorded growth in the number of customers in both strategic customer segments, RB customers and SMEs, the scale of transactions through digital channels has also seen appropriate growth in line with the digital transformation trend in the market.

Unit: billion dong, %

Items		Actual		Plan	2023 vs 2022	Actual vs Plan
		2023	2022	2023	%	%
<b>Scale</b>	Total assets	161,977	130,065	136,816	125%	118%
	Credit loan	102,448	88,529	97,382	116%	105%
	Customer deposits and valuable papers	115,654	91,837	102,508	126%	113%
<b>Efficiency</b>	Profit before tax	513	1,686	2.826	30%	18%
	% NFI & Guarantee fee	20.35%	5.49%	18.36%	+14.9%	+2.0%
<b>Quality</b>	NPL ratio	2.17%	2.18%	<3%	-0.01%	
	NPL coverage ratio	46.2%	45.4%		+0.8%	
	CAR	11.07%	11.63%	>8%	-0.56%	
	LDR	68.39%	72.26%	<85%	-3.87%	
<b>Customer</b>	Number of RB customers and SMEs	2,117,097	1,730,951		122%	
	Number of transactions on digital channels	33,275,644	20,394,600		163%	

The Chief Executive Officer respectfully submits and presents to the Shareholders' Meeting for approval the Report on the Business Performance of ABBANK for the year 2023.

**ON BEHALF OF AN BINH JSC BANK  
ACTING CHIEF EXECUTIVE OFFICER**

*(Signed)*

**Phạm Duy Hiếu**

## **B. DETAIL REPORT**

### **I. Business performance**

#### **1. Retail banking**

CASA recorded growth when reaching 3,830 billion (equivalent to 136% compared to the same period in 2022) due to attracting ~380,000 new customers, changing ABBANK in a user-friendly direction:

- Continuously improve payment experience through a series of powerful digital transformation activities. In 2023, ABBANK recorded over 30 million transactions on ABDitizen, a growth of 63% compared to 2022.
- With card payments, in addition to proactively building exclusive incentives for customers, ABBANK has continuously coordinated with card partners such as Visa, Napas and technology partners, supermarkets, e-commerce, entertainment, tourism... to deploy a variety of incentive programs helping customers take full advantage of payment privileges via banks, thereby increasing their preference for using banking services and strengthening their connection with the Bank.

Term deposits from retail banking customers in 2023 also witnessed growth through a series of continuous promotional campaigns throughout the year, diversification of online savings products with attractive incentives and policies for long-term and priority customers. By the end of 2023, the proportion of customers using online savings had increased from 5% at the beginning of 2023 to 20% by December 31, 2023.

With the life insurance product in 2023, ABBANK's partnership with Dai-ichi marks its comeback, offering flexible financial protection solutions aimed at meeting diverse financial needs and enhancing optimal experiences for ABBANK customers. During the first year, ABBANK has achieved some milestones, which is the premise for ABBANK and Dai-ichi to continue designing new solutions aimed at more advanced needs, more suitable to the needs of customers.

#### **2. Small-and-medium enterprises**

The activities of SME segment in 2023 has also shifted strongly towards a customer-centric business approach, encompassing solutions ranging from service, payment solutions to deposit, credit.

With the market constantly adjusting to stabilize interest rates as directed by the State Bank of Vietnam (SBV), ABBANK has also timely adjusted its strategies in each period, helping stabilize customer portfolios and funding sources. Additionally,

alongside SMEs, ABBANK has launched a series of fee incentive programs, such as: Free Internet Banking transfers, free selection of attractive account numbers up to 10 million dong, free up to 9 account transaction fees within 6 months, and salary payment service, etc.

### **3. Wholesale banking**

In line with the SBV's directives to support economic recovery post-COVID, ABBANK implemented 5 interest rate reduction adjustments with reductions of up to 3% per year for customers in the wholesale banking segment. Alongside the reduction in lending rates, ABBANK also concurrently reduced deposit interest rates, contributing to reducing input costs in compliance with the timely directives of the SBV and thereby promoting economic development.

Net fee income experienced strong growth compared to 2022, attributed to robust growth in services such as cash management, Usance Payable at Sight Letter of Credit (UPAS LC) and financial commitment.

### **4. Digital transformation**

With a business approach centered around prioritizing customers and continuing to apply effective working methods that enhance customer experience, ABBANK has achieved impressive figures contributing to its overall results, specifically:

- Promote optimization of features to serve customers' daily needs: refresh the money transfer experience to make it more convenient, launch the "Share-bill" feature, improve bill payment flow (friendly interface, remind paid invoices and allow customers to register auto-bill);
- The number of transactions on digital channels increased by 63% and 87% of retail banking customer transactions were made on digital channels, of which:
  - The total number of transactions on digital channels reached 33 million transactions, an increase of 63% compared to 2022.
  - In addition, the total transaction value of retail banking customers on AB Ditizen reached 438.5 trillion dong, an increase of 44% compared to 2022, in which the transaction value of the two customer segments, mass affluent and affluent customers is growing well.
  - The average number of transactions per monthly active user also increased by 69% from 9 transactions per month in January 2023 to 16 transactions per month in December 2023.

## 5. Treasury

In the Government bond market, ABBANK ranks among top 4 largest trading members. In 2023, ABBANK successfully issued bonds with a face value of 9,300 billion dong, with a term of 2-3 years and an interest rate of 6-7% per year.

Besides, ABBANK continued to proactively review and evaluate the effectiveness of its investment and capital contribution portfolio. In 2023, ABBANK also divested all of its capital in the EVN Finance Joint Stock Company (HSX code: EVF) and recorded a profit from this divestment.

## 6. Liquidity and other safety ratios

Despite facing various difficulties, especially in the early months of 2023 after the Van Thinh Phat event, ABBANK closely adhered to the State Bank of Vietnam's monetary policy and ensured stable funding sources in both markets, maintaining a higher liquidity ratio for each currency type than the SBV's regulations.

Additionally, scenarios regarding significant cash flows were developed, and daily cash flows were projected to serve as a basis for liquidity management, balancing funding sources. Interest rate movements in the markets were closely monitored daily, and internal interest rates were applied according to the new mechanism and adjusted promptly.

## 7. Debt collection

Results of NPLs and problem loans collection by the end of December 31, 2023 are as follows:

*Unit: billion dong*

Cash collection				Converted assets	Other debt collections	Total
Principal collection	Interest collection	Others	Total			
1,495	164	1	1,661	864	465	2,989

In 2023, ABBANK has handled and recovered **2,989 billion dong** of NPLs and problem loans, reaching 120% of the whole year plan (2,500 billion dong), which helped reduce the risk of capital loss of 2,365 billion dong (from principal and asset collection) and contributed to the total income of 528 billion dong. This positive result also contributed to reducing the NPL ratio and improving ABBANK's overall business performance. Specifically, the on-balance sheet NPL ratio as of December

31, 2023 was controlled at 2.17%, remaining below 3% in accordance with the regulations of the State Bank.

## **8. Credit quality**

NPLs as of December 31, 2023 increased by **642** billion dong compared to December 31, 2022, mainly due to difficulties in the economy and market, causing consumer demand and production demand to decline, revenue and the customer's ability to repay debt to be affected. Bad debts are concentrated mainly in the retail banking segment (NPL ratio of 3.58%), SME segment (NPL ratio of 4.60%); in industries/business fields directly affected by unfavorable market conditions such as wholesale and retail (NPL ratio of 3.26%); accommodation and food services (NPL ratio of 3.35%); real estate business (NPL ratio of 3.99%),...

In 2023, ABBANK made full specific provisions for NPLs, maintaining the coverage ratio at the highest level based on the bank's financial conditions, specifically:

- Provision for credit losses as of December 2023 is as follows:
  - Specific provision: 627.54 billion dong
  - General provision: 760.82 billion dong
  - NPL coverage ratio: 46.2%
- Provision used for write-off in 2023: 600 billion dong
- VAMC bond: 3,123.39 billion dong

## **II. Operational – organizational results**

### **1. Risk management**

ABBANK has completed the risk management framework as required by Circular 13/2018/TT-NHNN. Risk appetite, policies and regulations on key risks have been completed and reviewed and updated annually in accordance with changes in the business environment as well as the adjustment of organizational structure. The Bank clearly applies the principle of independence between lines of defense as well as applies the responsibility assignment model (RACI) to increase efficiency and quality in management work.

Management and supervision of the implementation of Risk Appetite and Risk Limits has been strictly implemented from the first line of defense to the second line of defense. Strengthening remote risk monitoring, operations of identifying and reviewing risks in the field of digital business, high-tech crimes are regularly identified and reviewed to provide early warning to the entire ABBANK system.

ABBANK has developed and prioritized inbuilding quantitative risk models to help decision-making have higher accuracy and gradually reduce decision-making based on qualitative factors. In 2023, ABBANK deployed the application of the model in automatic approval for retail banking segment and continue to develop credit risk forecasting models for the SME and wholesale banking segment, which are expected to apply from 2024. In addition, ABBANK is actively implementing Basel III components to gradually move to a higher level in risk management.

## **2. Banking technology and Operation**

Recognizing the importance of digital transformation in the development trend of the banking industry, in 2023, ABBANK has continued to promote the applications of technology to serve the transformation goals, specifically:

- The system of application software at ABBANK has basically met the operational and management requirements, including developing products/services provided to customers, supporting business activities as well as risk management and finance, governance, reporting/compliance.
- In 2023, ABBANK has continued to operate and effectively exploit the applications to support credit activities: the LOS system has integrated with retail banking customer credit scoring systems and CIC information, debt reminder application and debt management. Group of internal management solutions including E-Invoice for accounting, internal communication page on risk management at ABBANK, Identity Management – IDM, e-office, the transactions are registered using digital technology, Risk-Weighted Assets system - RWA, The Data Governance framework applied for the bank and the core applications are active.
- ABBANK has also completed the deployment of its big data warehouse platform with the business model analysis tool using cloud infrastructure from Google, one of the world's leading cloud service providers. The deployed DevSecOps solution helps ABBANK automate the application transfer process, contributing to strengthening information technology (IT) capacity in software development activities, providing financial services to customers quickly and continuously. In addition, ABBANK has completed the transformation of the middle layer system (ESB/API) using the modern platform (container) with Microservices architecture, ready for Open Banking deployment with the technology ecosystem in the new stage. The bank has also optimized customer experience with modern and convenient for customers on ABBANKMobile (ABDitzen) and continued to



develop digital banking applications to serve customers' needs; Enhance the applications of technology to operation and management, risk analysis and prevention, invest and appropriate solutions to ensure security for IT systems.

- In 2023, the entire Operations Division focuses on building LEAN processes, focusing on customers, increasing productivity by applying technology, increasing automation in operations activities, specifically by each operational segment

### **3. Network development**

In 2023, ABBANK focused on reviewing and researching proposals to restructure its current distribution network system to enhance efficiency. As of December 31, 2023, ABBANK's network consisted of a total of 165 transaction points, including 35 branches and 130 transaction offices across 34 provinces/cities nationwide. ABBANK also continued to renovate its infrastructure, installing signs with the most modern materials at transaction points to enhance brand recognition and provide a better experience for customers.

### **4. Branding**

With the brand positioning as a Friendly Retail Bank, high corporate social responsibility and “customer-centric” business strategy, in 2023, ABBANK focused on implementing brand management activities which helped improve customer interactions:

- The ABBANK brand appears regularly with positive and timely content, aligning closely with the policies and directives of regulatory authorities. It focuses on prominent newspapers and media outlets with high viewership and credibility.
- ABBANK actively advertises on online platforms, the AB Ditizen application, physical advertising channels such as billboards at Business Units, and direct marketing at major shopping centers. ABBANK's branding activities are diversified on many channels such as Facebook, Instagram, Zalo... as well as rejuvenating content to reach young customers.
- Known as one of the banks actively engaged in Corporate Social Responsibility (CSR) activities on a regular and meaningful basis, ABBANK's CSR initiatives are seen as a valuable aspect of its corporate culture and individual members. ABBANK's CSR activities aim to contribute to sustainable and long-term development while also actively promoting brand image and goodwill. In 2023, ABBANK continued funding for programs such as: **Tet An Binh** with the goal of contributing to a greener Vietnam, protecting soil and combating saltwater

intrusion; **Pair of leaves love** - giving children in difficult circumstances the opportunity to go to school (Son La, Kon Tum, Hanoi, Can Tho, Ha Tinh); **Sponsoring the Youth Orchestra Symphony** (Vietnam National Academy of Music) - encouraging young talents; **Building refabricated barracks houses for police soldiers** in difficult communes and towns, heavily affected by natural disasters in some Central Highlands and Southern provinces (Dak Lak, Gia Lai, Kon Tum, Nghe An, Ben Tre).

- Regarding brand development activities within the transaction point network, in 2023, ABBANK continued to deploy new signage with high-quality standards and in line with ABBANK's brand identity guidelines. These signs are easy to recognize and come along with convenient facilities from parking areas to transaction counters and customer advisory spaces. The priority is to ensure uniform brand recognition across the entire network.
- Internal communication activities remain key focus in order to have continuous engagement and communication with all employees about the Bank's informations, activities and strategies, thereby strengthening engagement and helped delivered the promise of “One ABBANK - One Voice” – with the end purpose of delivering values to our customers.

In the period of streamlining and optimizing costs, ABBANK's branding activities in 2023 aimed to improve brand love from customers, enhancing the impression of ABBANK as a friendly, dedicated and understanding bank. This helps ABBANK brand stand out from other commercial banks of the same size, resulted in an increase in customer engagement as well as in the possibility of introducing ABBANK to their friends and relatives.

## **5. Team strengthening and talent development**

In 2023, ABBANK has completed key actions and prioritized tasks in accordance with the human resources strategy with the 3 pillars of Talent Attracting, Developing and Engaging to meet sufficient resources both in quality and quantity, to implement the bank's business plan. At the same time, the efficiency of human resources is improved, specifically:

- Orient to build a human resource management system based on Talent Segmentation, Resource Planning, Work Performance Management...;
- Focus on high-performance and high-quality resources, facilitate appointments/ rank upgrading to develop career paths;

- Downsize personnel with poor productivity or violating discipline, not suitable for ABBANK's organizational culture and transformation;
- Optimize resources to focus on business areas and build key foundations.

## 6. Transition roadmap in 2023 and preparation for 2024

In 2023, ABBANK has continued to implement strategic initiatives projects and projects that support business, operation, internal governance and improve technology infrastructure capacity. In which, we have completed the implementation of 15 projects/initiatives, 5 projects will continue to be implemented in 2024, 3 projects are about to be implemented, 4 projects have not been implemented, 2 projects have been pending. For the ongoing projects, we have achieved some detailed results as follows:

NO.	PROJECT	CURRENT STATUS
<b>Projects/Initiatives deployed in 2023</b>		
<b>I.</b>	<b>Strategic and business projects/initiatives</b>	
1	Strategy Refresh 2024 - 2028	Phase 01 deployment has been completed in December 2023. Accordingly, the Bank has diagnosed the current situation and identified the bankwide aspirations for the transformation period of 2024-2028.  Currently, the project is implementing phase 02, clarifying the detailed implementation plan for each initiative.
2	Omni Channel Digital platform project	After 9 months of implementation with our partner, the project implementation did not go well as expected for the Corporate Banking. The project board reported to the Bank's BOD and BOM about the situation and the project was approved to be self-deployed, instead of continuing with partner. Up to now, the project has technically gone live several parts of Corporate Banking platform and is preparing

		internal resources for the Retail Banking platform.
3	Customer Relationship Management System - CRM	The implementation was completed as planned in May 2023. Currently, the system is operating stably and preparing to implement the next phase according to McKinsey's strategy.
4	Datalake - data management solution project	The project was completed with our partner in June 2023. After this time, the project implementation continued to serve business analysis for other business operations.
5	Financial ERP to create a unified financial information repository ( <i>ERP/GL platform solution</i> )	ABB completed the selection of partner and signed contract with partner in July 2023. Implementation is underway and is expected to go-live the entire project by early May 2024.
7	Sales and Service Model Building Project (Phoenix)	The project was completed in August 2023. In which, the project completed the remodelling of the sales and service model of the bank, at the same time rebuilding the title of sales officer and assigning KPIs.
8	Building credit rating model for corporate banking segment project	The internal implementation is led by the Risk Management Division. Up to now, the project is still being implemented.
9	Credit Engine solution project	The implementation was completed with Thrakal One partner in May 2023.
10	LOS 2.0 system implementation and upgrade project	The implementation was completed with ISTS partner in May 2023.
11	State budget collection & Treasury connection	The project was completed in August 2023 with Seatech partner.

12	Review and remodelling of Credit Documents	The project was completed on schedule for in June 2023. After this time, the project was handed over to each unit.
13	Debt Management Project	The project was completed with Softmart partner in May 2023.
14	Virtual Account Project	ABB completed the selection and signed contract with partner in December 2023. Implementation is underway and is expected to golive the entire project by early April 2024.
<b>II. Technological infrastructure capacity improvement projects</b>		
15	Design and implementation of infrastructure tailored to future needs and DevSecOps project. The toolkit includes automated profiling	The deployment was completed with partner in Sep 2023. The partner handed over documents and specific instructions of rapid deployment of 1 new application to the CICD system.
16	Improvement of IT PMO to ensure project management is done based on business needs	Completion of the development of an IT project management process for the implementation of IT projects.
17	Enhancement of Cybersecurity Through Reliability and Automated Security Railings project	Deployment of solutions to scan, evaluate and manage information security weaknesses for applications and systems in the On-premises environment.
18	Enhancement of IT Service Management (ITSM) & bank-wide SLAs tracking with specific guidance	Completion of the implementation of IT service management (ITSM) & bank-wide SLAs tracking in December 2023.

19	Identification of the approaching methodology for applications and moving to cloud, deploying to initial cloud and PoC	Completion of implementation in parallel with Datalake - data management solution project in June 2023.
20	Implementation of Bank-wide Enterprise Architecture Management	Completion of bank-wide Enterprise architecture management implementation in Dec 2023.