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EXIMBANK 2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS

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MANAGEMENT’S REPORT ON
2018 BUSINESS PERFORMANCE AND PLAN FOR 2019
To: GENERAL MEETING OF SHAREHOLDERS

PART I. 2018 BUSINESS PERFORMANCE

General context. The world’s economic growth achieved 3% in 2018, while that of global trade was below forecast due to changes in the US trade policy and complicated movements of the US – China trade war. Inflation during the first months of the year tended to be higher than in 2017. In the year, FED made 4 interest rate hikes, signaling the possible end of the entity’s tightening cycle amidst fluctuations of the financial market and slowing down the global growth. The interest rate increase by FED was to curb against the growth brought by the monetary policy to the economy which was faster than the sustainable rate. The US economy enters the 10th consecutive year of growth while that of the Eurozone will get slower.

Domestic economy recorded quite stable increase with the GDP growth rate of 7.08% which was the highest since 2008, asserting the timeliness and effectiveness of the solutions suggested by the Government, decisive instructions from all-level authorities and endeavours of the localities. Inflation increased 3.54% averagely from 2017, lower than the 4% targeted by the National Assembly. Total payment instruments grew 11.34% from end of 2017 (up 14.19% yoy); capital funding up 11.56% (14.5% yoy); and loan growth reached 13.3% (up 16.96% yoy). In terms of the monetary policy in 2018, money supply was reasonably and efficiently regulated to the market, credits were closely controlled to ensure the objective of macro stability; the cabinet restructuring and settlement was accelerated with positive movements; and the exchange rate and FX market remained steady and thorough.

Eximbank context. In 2018, the Bank faced with unprecedented difficulties and challenges in its history of development. However, the efforts and endeavors of the whole network has helped preserving its stability.

I. Key objectives and solutions in 2018

1. Objectives:

- To promote deposit and loan growth to enlarge the market shares, while ensuring the prudent ratios in banking operations
- To concentrate on settling the outstanding loans, especially those sold to VAMC so as to gradually bring down the actual NPL ratio to below 3% by 2020
- To restructure the assets and liabilities to comply with the requirements of prudent ratios set by the State Bank of Vietnam (SBV) and ensure operational efficiency
- To gather resources to complete the 2 targeted projects: the Korebank replacement project and salary project
- To improve the net interest margin (NIM)

2. Specific solutions: originating from the above, the Management focused its directions on the execution of fundamental duties as below:

- *Firstly, Capital funding:*

Strengthening capital funding to ensure credit growth, liquidity and capital adequacy ratios in operations. Properly allocating short-term and long-term funds to optimize the funding costs while meeting the ratio of short-term funds used for mid- and long-term loans. Raising the corporate demand deposits by effectively managing the cashflow in lending to large corporate customers.

- *Secondly, Credit growth:*

Promoting loans to individual customers with concentration on consumption loans and production loans with appropriate interest rate policy by risk appetite. Adjusting the credit structure upon giving priority to advantageous sectors and areas during the integration, particularly export-import fields. Offering reasonably preferable credits to large and well performing customers to take advantage of cross-selling services, and exploiting the distribution/supply channel model to ensure the overall investment output by customer chains.

Tightly controlling loans to risk-potential areas such as properties, securities, BT, and BOT, etc.

- *Thirdly.* Concentrating on settling outstanding issues, especially in credit activities. Continuing to give instruction on handling the inspectorate requirements and conclusions as well as settling the risks out of the deposit incidents.

- *Fourthly.* Reviewing, modifying and completing the internal management regulations and processes to both meet the requirements of flexibility in business administration and system management, and enhance the connection between Head Office and business units to step by step carry out the centralized management model.

- *Fifthly*. Continuing to execute each specific content in the projects of debt settlement restructuring, system and network structuring, and re-arranging the Head Office, etc.

II. Key business performance

Unit: VND billion

Consolidated target	2018 plan	Executed in 2018	+/- vs. 2017 (%)	Plan completion rate (%)
1. Total assets	178,000	152,652	2.2%	85.8%
2. Shareholders' equity		14,884	4.4%	
<i>Of which: Charter capital</i>		<i>12,355</i>	<i>0%</i>	
3. Capital funding from economic entitites and individuals	148,000	118,694	1.0%	80.2%
4. Total credit exposure	113,560	104,118	2.7%	91.7%
<i>Of which: Loans outstanding</i>		<i>104,043</i>	<i>2.7%</i>	
5. Bad loans (groups 3 – 5)		1,921	-16.4%	
<i>NPLs/Total loans</i>	<i>< 3%</i>	<i>1,85%</i>	<i>2017: 2.27%</i>	
6. Profit submitted to the Annual Meeting (*)	1,600	1,731		108%
7. Profit before tax		827		

➤ The profit in 2018 submitted to the Annual Meeting does not include:

- Provisioning cost for deposit risks: when preparing the 2018 plan, the Bank was lack of legal foundation (courts' verdict) to include in the year's budget plan.
- Provisioning cost for supplemental credit risk with respect to the loans sold to VAMC according to Circular 08/2016/TT-NHNN as it can only be determined once the year end profit has been identified. In case of exceeding the plan approved by SBV, the excess must be used to additionally reserve for loans sold to VAMC.

III. Assessment of the management in 2018

1. Funding activity

In the year, Eximbank suggested flexible and suitable funding policies from time to time, continuously implemented the “Sales Stimulus Program” to encourage

branches and transaction offices to raise more funds, and launched different new promotions, programs, products and technology at the same time to meet customers' diversified deposit needs. However, due to the impacts of the deposit incidents, the funds mobilized from economic entities and individuals recorded really low growth of 1% as compared to end of 2017, of which individual deposits dropped 2.3% while corporate deposits increased 10.1%.

2. Credit activity

In 2018, Eximbank insisted on developing retail loans, combining cross-selling and credit granting, and reducing loans to large corporate customers with low interest rate. Focusing on implementing the products for production or export-import financing, and developing credits to SME customer segment. As for individual customers, enlarging loan products for non-property purposes, promoting cross-selling, carrying out VIP customer program, developing the sales forces, surveying, studying and deploying loan products based on customer segments in each location, etc.

Eximbank has introduced quite a lot of programs and products to stimulate credit growth during the year. Nevertheless, it was required to control the increase due to impacts on the funding side from the deposit incidents, recorded at 2.7% higher than 2017, of which retail loans rose 16% and wholesale loans dropped 9.7%.

3. Other business activities

Other than developing traditional deposit and credit products which majorly contributed to its profitability, Eximbank looked for more earnings from non-credit activities including securities investment, FX trading, gold trading, international settlement, bank payments, cards, and insurance, etc. to gradually improve the revenues from these activities of all the total income. Of which, service income rose 4.8% and FX trading income increased 18.1%.

Besides, the Bank proceeded to enhance its technology-based product and service quality by developing more services and added utilities on Internet Banking and Mobile Banking for transferring and receiving money via quick account transfer service with 42 banks. Eximbank deployed the API connection model for 24/7 online payment in remittance payout service so as to bring about the most business efficiency without spending much investments in both resources and operating costs; thanks to which, customers can receive remittances through their bank accounts/cards in the fastest, safest and most convenient manner. Payment by QR code for goods orders or purchase; air ticket purchase from 27 international carriers by FaceID log-in (for Iphone X series); payment with Payoo (water bills, Vietnam railway fares, air tickets, insurance, etc.); and bills payment for water, electricity, telephone, cable TV, Internet, etc. were enabled.

4. Network restructuring

In 2018, the New Eximbank project kept robustly restructuring the Bank's activities with such material and prominent initiatives as: (1) developing and officially implementing the mid-term strategy for 2018 - 2020 as approved by the Board of Directors in 01/2018, (2) finalizing the transformation of Head Office organization model in way of strengthening management capacity, leading and assisting business units, and (3) renovating the salary scheme in a transparent and equal direction and properly rewarding those making good contribution to the entity.

In 01/2018, the Board of Directors approved the Bank's mid-term strategy for 2018 – 2020 with the vision of becoming a top joint-stock commercial bank by 2020 upon certain strategic objectives as below:

(i) Increasing and improving asset quality by associating the strategic objectives with the business plan annually prepared;

(ii) Enhancing NIM through initiatives for raising more current savings accounts (CASA), exploiting and developing new customer segments such as small and medium enterprises (SMEs) and VIP individual customers;

(iii) Improving the proportion of fee and service income by strengthening and promoting traditional business operations which have been Eximbank's strength, namely as trade finance and export-import payments. Parallely, new businesses such as bancassurance and credit cards aiming at young customers will also be developed so as to diversify and increase the non-interest income;

(iv) Effectively managing costs and risks by centralizing operations to Head Office, enhancing the productivity of business units, applying SBV requirements in Circular 41 on capital adequacy ratio and Circular 13 on reinforcement of internal control system, and continuing to develop risk management standards set out in Basel II.

In order to realize the Bank's mission in offering the best solutions and services to customers, Eximbank has transformed the organization structure of Head Office into 8 divisions with the roles, duties and functions targeted at promoting the strategic and leading role of carrying out its operations: Corporate Customers Division, Individual Customers Division, Treasury Division, Risk Management Division, IT & Operation Division, Finance and Planning Division, HR Division and other independent professional units. Such transformation has positively affected the Bank's operating model, strengthened the interaction and coordination between business units and Head Office in the execution of business strategies, remarkably enhanced the advisory competence, and offered more financial solutions to clients.

In addition, the new salary scheme officially applied in 07/2018 has enabled the Bank to obtain a transparent, fair and proper treatment to officers making great

contributions to the organization. The scheme is, based on the assistance of a professional consultant, not only an important innovation to motivate employees to be more engaged in general activities but also the competitiveness in the labor market, facilitating the Bank to acquire talents in different positions.

In 2019, Eximbank will keep up with successive renovations by restructuring the network of business units and transforming the operating model in way of improving the sales and service productivity of the front line so as to provide customers with the optimal solutions and services, enhance the competence of distribution teams, gradually transit the resources to the functions or positions directly dealing with customers for enhanced business performance and customer satisfaction towards the Bank's products and services in line with its customer-centric motto.

5. Compliance with restrictions and prudent ratios

Ending the fiscal year 2018, the prudent ratios of Eximbank stayed compliant with SBV's requirements in Circular 06/2016/TT-NHNN and Circular 36/2014/TT-NHNN, detailed as:

- Ratio of short-term funds used for mid- and long-term loans: 33.89% (\leq 45% as required);
- Loan to deposit ratio: 76.85% (\leq 80% as required);
- Separate capital adequacy ratio (CAR): 15.05% (vs. 9% as required)

6. IT activity

In 2018, Eximbank gathered most of its resources to go-live the new corebanking system on 04/09/2018, which has come into stable operation so far. With the new technological system, some procedures and product characteristics have been changed and updated for better customer experience and less manipulations to be performed by tellers and back-office staff. Some operational procedures have been centralized, say the domestic and overseas money transfer have been centrally processed at Head Office while business units are still able to keep track of the order position until completion. The centralized handling process has helped eliminating several stages at business units, and taken advantage of the new Fincore system capabilities, significantly cutting down costs of investing in the CITAD payment system infrastructure. Centralization is part of the operational strategy, closely attaching to the Bank's new strategy with focus placed on professionalism, centralization and high-tech based operation.

Moreover, Eximbank has, upon satisfaction of business and network management needs, deployed other projects as well, including the completion of the credit ratings system, upgrade of the price appraisal system, successful acceptance and launch of the data center facility in Binh Duong in international Tier-3 standards. Also, the new

Finacle corebanking system has been developed to meet the Bank's business requirements.

7. Human resource management and training

In the year, Eximbank officially employed the new salary scheme which aims at assessing the “work value” to quantify into position classes (PC). The PC-based salary payment scheme will be integrated and concretized into the salary, allowance and benefit policy of Eximbank.

The standard job description system has been developed and applied all over the network.

The training regulations, procedures, and core curriculum for each position, and the standard e-learning system have been completed and promulgated, gradually leading the Training Center to a training institute in the future – a place sowing seeds for Eximbank talents.

With the above highlights, Eximbank shall continue affirming its piloting mission in supplying resourcing service to the whole network, completing the personnel structure for professionalism and efficiency, accompanying functional units in all routes for the Bank's overall objectives, and contributing to its sustainable development in the new stage.

8. Partnership with the foreign strategic shareholder Sumitomo Mitsui Banking Corporation (SMBC)

The partnership between SMBC and Eximbank has been further reinforced in the year through mutual business association and cooperation programs. With its commitment of long-term investment in the Vietnamese market, SMBC has been always accompanying and supporting Eximbank in terms of funding, training, risk management, and corporate governance. In order to take the most advantage of each party's strengths, the two banks have set up various mechanism for connecting Vietnamese-Japanese enterprises, referring partners and offering financial services to each other's customers, especially during the funding constraint in the recent year. Besides, SMBC has seconded and sent many of its expats to work with Eximbank to develop information technology infrastructure, study and renovate products, particularly the development and implementation of the plan for Eximbank restructuring and strategies for 2016 – 2020.

9. Subsidiary's performance

The Asset Management One-member Limited Liability Company – Vietnam Export Import Commercial Joint-Stock Bank (shortly as AMC) owns the initially registered capital of 300 VND billion, and the amount actually paid as of 31/12/2018 is 955 VND billion.

During 2018, AMC has finalized its restructuring with the focus of transferring the debt settlement from Eximbank to Eximbank AMC. Basically speaking, the organizational apparatus of Eximbank AMC has been completed, and the rules and regulations on debt settlement have been accordingly amended, while continuing with the debt settlement and recovery in the whole network, disposal of debt set-off assets, and lease of properties.

Business performance in 2018:

- Revenues: 36.34 VND billion, up 71% from 2017;
- Profit before tax: 22.34 VND billion, up 63% from 2017.

PART II. REMEDY AND CORRECTION OF INSPECTORATE CONCLUSIONS as of 31/01/2019

Upon serious remedy and correction of the recommendations made in the inspectorate conclusions, Eximbank has established a steering committee for urgent settlement. In total, the Bank has 53 inspectorate conclusions (at its Head Office and branches dated from 2011) with 425 recommendations.

As of 18/2/2019, Eximbank has fixed **401/425 inspectorate recommendations** (at the ratio of **94.35%**), and still has to correct other **24/418 recommendations** (at the ratio of 5.65%) to make monthly report to the Inspectors.

Some main contents of the Inspectorate conclusions No. 34 and 22 at Eximbank Head Office updated as follows:

(i) Eximland case:

The file has been transferred to competent agencies and proposed for their review of certain responsibilities.

(ii) Recovery of the remunerations excessively paid to the Board of Directors and Board of Supervisors during 2013 – 2015 (Inspectorate conclusion No. 22/KL-Cuc II.2.m dated 24/10/2016):

According to the inspectorate recommendations, Eximbank must recover the total amount of 80,783 VND billion, and has collected 20,053,450,159 VND to date. It has also signed a consultancy contract with a lawyer to keep up with the recovery.

(iii) Progress of implementing the project at 07 Le Thi Hong Gam (Inspectorate conclusion No. 22/KL-Cuc II.2.m dated 24/10/2016):

- Eximbank has reviewed the project at 07 Le Thi Hong Gam and signed a service contract with Savills Viet Nam Company for consultancy and selection of the best investor for the project.

- Through analysis and assessment, Savills has sent Eximbank the shortlist of 3 potential investors.

- Eximbank is conducting the procedures for investor selection to optimize the investment in and use of the Bank's property.

- Reason for Eximbank's late execution of SBV's recommendations: in the implementation of this project, Eximbank must comply with the provisions of the Law on Credit Institutions and legal regulations on basic construction. It is taking steps of investing in the project at 07 Le Thi Hong Gam which require SBV's opinions and consent of the General Meeting of Shareholders before implementation.

(iv) Result of the divestment of STB shares (Inspectorate conclusion No. 34/KL-Cuc II.2.m dated 19/10/2015):

Eximbank finalized the divestment of STB shares in 01/2018.

➤ **Difficulties and obstacles during the correction of inspectorate conclusions:**

- Despite its great efforts, Eximbank has not been able to complete the correction of SBV inspectorate recommendations. It is because some recommendations need the cooperation of the members of Board of Directors and Board of Supervisors of the previous terms; yet Eximbank has not received full cooperation from the concerned persons for different reasons, some recommendations must be approved by General Meeting of Shareholders before execution; and some recommendations have to wait for the conclusions of competent authorities.

- Eximbank has also reported all these cases to regulatory agencies to consider the collective and individual responsibilities (if any) as well as reported the whole progress of making remedy and correction to the Inspection agency on the 5th of each month.

PART III. RESULTS OF RESTRUCTURING EXIMBANK'S OPERATIONS AS PER THE PLAN APPROVED BY SBV

1. Operating results in 2018

- The Bank's financial targets kept increasing from 2017: the actual operating profit reached 1,731 VND billion; but in order to ensure its operational safety, Eximbank took initiative in setting up provisions for VAMC bonds (other than the required amount) and financial risks totaling more than 900 VND billion. Thus, the reported profit before tax in the year was 827 VND billion; total asset achieved 152,652 VND billion, up 2.2%; capital funding reached 134,705 VND billion, up 1.7%; loans reached 104,118 VND billion, up 2.7% and bad debt settlement achieved 1,767 VND billion, up 15.34%. Thanks to good control of credit quality, new bad loans were prevented from arising, and the NPL ratio of Eximbank as at the year end was maintained at 1.85%.

- However, the Bank's growth in 2018 was not actually a breakthrough as it had to deal with great difficulties in promoting deposit and credit growth due to impacts of the problems in customer deposits and the shortcomings that required immediate

settlement. Eximbank has simulatenously carried out many solutions during the troublesome period to serve as the lever for its increase in the following years, especially in 2019. Besides, it has to endeavor to achieve some financial targets up to the expectations raised in the restructuring plan as approved by SBV.

2. Organizational structure:

2018 was the year when Eximbank sharply restructured its banking operations, particularly the model change in way of enhancing the performance of HR Division, IT and Operation Division; and Risk Management Division as well eas reinforcing the competence and professionalizing the bad debt settlement by AMC, etc., from which it is able to strengthen the operational efficiency and network supervision.

3. Enhancement of management competence:

Eximbank has proceeded to develop the capital calculation system in accordance with Circular 41/2016/TT-NHNN and enhance the senior oversight role of the Board of Directors and Chief Executive Officer over the network as regulated in Circular 13/2018/TT-NHNN.

4. Compliance with capital adequacy ratios:

Eximbank has complied with all prudent ratios set out in Circular 19/2015/TT-NHNN, except for the one relating to securities loans backed by STB stocks dated from 2012. It is consulting SBV's opinions to actively sette and bring the ratio to the required threshold.

5. Information technology:

The successful deployment and operation of the new Infosys Finacle Corebanking system has enabled the Bank to make a breakthrough in exploiting banking services, strengthen the competitiveness, and conduct tighter and more effective internal management.

6. Remedy and correction against inspectorate conclusions and inspection by SBV inspection, examination and supervision team:

The Board of Directors has approved the 2019 business plan against the Bank's practical business activities, in which the targets are set to be higher than the previous year, especially the one on bad debt recovery to serve as the premise to bring down the ratio of on-balance bad debts and loans sold to VAMC to less than 3% by 2020.

As for the financial targets which are not appropriately proposed in the execution plan against the restructuring plan, Eximbank has consulted SBV's opinions in writing in line with SBV Governor's Decision No. 38/QD-NHNN.m dated 15/06/2018 ratifying the plan of restructuring in association with bad debt settlement during the period 2016 – 2020.

Conclusion:

The operating environment in 2018 was challenging, requiring the Board of Directors and Management of Eximbank to focus on giving close guidelines to preserve its business stability upon aggressive efforts of the whole staff members. The operation size did scale up, but at a low and unsatisfactory level due to impacts of the deposit incidents: total assets increased 2.5%, capital funding increased 1%, and credit exposure increased 2.7%. The profit achieved 1,731 VND billion, and after setting up provisions for VAMC bonds according to Circular 08 and deposits, the pre-tax profit was 827 VND billion left. Liquidity and prudent ratios remained assured. Overdue and bad debts were actively settled, maintaining a low NPL ratio of 1.85%.

PART IV. BUSINESS PLAN FOR 2019

Originating from SBV's directions for monetary policy regulation in the year, the 2019 plan of Eximbank is prepared on the basis of its business performance in 2017, strategic objectives up to 2020, internal strengths and advantages, aiming at consolidating and enhancing the Bank's position in the domestic and international financial markets. Targeted objectives and duties of the whole Bank are set as below:

1. Some major operational targets for 2019

Target	2019 plan	Up from 2018
1. Total assets	181,000 VND billion	18.6%
2. Capital funding	143,500 VND billion	21%
3. Credit exposure (*)	115,570 VND billion	11%
4. On-balance NPL ratio	< 2%	
5. Profit before tax before provisions for VAMC bonds under Circular 08/2016/TT-NHNN	2,000 VND billion	49%
6. Profit before tax	1,077 VND billion	30%

- Ensuring to observe the prudent ratios according to SBV regulations

() The credit growth plan for 2019 is 11% as per the cap informed by SBV. If the business conditions become favorable, Eximbank will apply for SBV's consideration of raising the credit growth limit.*

2. Principal solutions to perform the 2019 business plan:

2.1 Business activities:

(i) Placing focus on raising capital from the primary market, as well as from current savings accounts (CASA) of large customers in potential areas. Deploying deposit

policies and products targeting medium and small-sized customers for stability in the funding.

(ii) Credit activity:

- Keeping credit growth in line with deposit growth to ensure complying with the prudent ratios

- Promoting more individual loans, particularly for consumption and production purposes with flexible pricing by risk appetite

- Directing the credit structure to advantageous sectors and industries during the integration, especially export-import fields

- Continuing to tightly control credits to risk-imminent sectors such as real estate or securities trading, etc.

(iii) Increasing more sales through the coordination between Head Office and business units. Expanding to cross-sell products between corporate and individual customers to improve the proportion of non-interest income.

(iv) Accelerating to settle the outstanding loans, focusing to handle the loans sold to VAMC, and aiming at buying back all loans sold to VAMC by 2020 in line with SBV's orientation of restructuring the whole banking system.

2.2 Transforming the business model in customer-centric direction is the top priority of the Bank's all operational aspects in 2019, and concentrating on effective management to closely oversee, measure the results, and evaluate the performance based on the year's overall plan.

2.3 Carrying out the project for restructuring the business network to enhance productivity and operational output.

2.4 Continuing to apply technology to renovate the centrally managing and approving process so as to refine the operating apparatus and minimize operational risks; and strengthening the compliance culture by training and communication.

2.5 Focusing on developing the manpower by positioning, core competence and career path of the employees; making large investment in training the sales forces to enhance service quality and building up potential managing officers; and developing a treatment regime for major officers.

CHIEF EXECUTIVE OFFICER