



**EXIMBANK 2020 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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**MANAGEMENT'S REPORT ON  
2019 BUSINESS PERFORMANCE AND PLAN FOR 2020**

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**To: General Meeting of Shareholders of Eximbank**

The Management of Vietnam Export Import Commercial Joint Stock Bank (Eximbank) would like to report to the General Meeting of Shareholders the business performance in 2019 and plan for 2020 as hereunder.

**I. Business performance in 2019**

In 2019, the world's economic growth keeps slowing down. The US – China trade tension and geopolitical matters have given significant rise to instabilities of the global commercial system, causing effects on business confidence, investment decisions and global trade. Unpredictable movements in the international financial – monetary markets and volatile oil prices have affected the credit growth, market psychology and expectations.

The Vietnamese economy, in the year, continues to progress in a positive way, shown in such highlighted achievements as: gross domestic product (GDP) increases 7.02%, among the top growing countries in the region and the world; average consumer price index (CPI) stays below 3%, lower than the proposed target; total export-import turnover exceeds 500 billion USD for the first time ever, and trade balance is in surplus for the 4<sup>th</sup> consecutive year with the record amount of nearly 11 billion VND.

The monetary policy has been flexibly regulated, contributing to keep inflation under control, stabilize exchange rate, maintain credit growth at a moderate level, adjust interest rate suitably to the macro economy, actively support economic growth and continuously raise the country's FX reserves to new records. Total payment instruments hike 12.1% from end of 2018, deposits increase 12.5%, loans grow 12.1%, base rates of funding and lending remain stable, and VND lending interest rate is 6%-9% for short terms and 9%-11% for medium and longer terms.

Thanks to such positive movements of the economy, the Management of Eximbank has suggested close instructions to the network and maintained business

stability, although the organization of the general meeting of shareholders failed twice which has affected its name and image. By its great efforts and endeavors, the Bank has achieved the following results:

1. Total assets: 167,538 billion VND, increasing 9.8% from 2018 and fulfilling 92.6% of the plan

2. Total funding from economic entities and individuals: 139,278 billion VND, increasing 17.3% from 2018 and completing 97.1% of the plan

3. Total credit exposure (including loans outstanding and corporate bonds, not VAMC bonds): 113,555 billion VND, increasing 9.1% from 2018 and completing 98.3% of the plan

4. NPL ratio: 1.71%, down 0.14% from 2018 (1.85%)

5. Profit before additional provisions for VAMC bonds under Circular 08/2016/TT-NHNN: 1,747 billion VND, growing 30.3% from the previous year and fulfilling 87.4% of the plan; after deducting the additional provisions for VAMC bonds under Circular 08/2016/TT-NHNN, profit before tax achieves 1,095 billion VND, increasing 32.4% from the previous year and beating the plan by 101.6%.

## **II. General assessment of business activities in 2019**

### **1. Funding:**

Eximbank has developed 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 such as current account combo or flexible combo, etc. that meet customers’ diversified deposit needs. In the year, deposits increase 16.7% from 2019, higher than the industry’s growth rate (12.5%).

### **2. Fund use:**

Despite the credit growth of 8.6% only, credit quality has been significantly improved, in line with the strategic orientations of Eximbank and timeline for adjustment set out by SBV. The proportion of short-term loans has surged from 44% (31/12/2018) to 50% with higher net interest margin. Individual and corporate loan products have been particularly designed for certain demands, obvious purposes and proper cashflow, contributing to better manage risks and enhance the interest margin.

### **3. Non-credit activities:**

Products keep being developed and diversified so as to improve the non-interest income out of total operating income. Eximbank has focused on promoting the key business services of a state-of-the-art retail bank such as cards or bancassurance and accomplished outstanding growth. Specifically, card fee income increases 33% from 2018 and insurance premium turnover is 3 times higher than

2018, raising the service income in 2019 to 12% which is the highest during the last 3 years. Income from FX trading also records remarkable surge of 35% as compared to 2018, helping to increase the non-interest income from 16% in 2018 to 19% in 2019.

4. Credit quality continues to be under good control with the NPL ratio (debts of groups 3-5 over total portfolio) dropping from 1.85% in 2018 to 1.71% as at end of 2019 and making the Bank one of those having the lowest NPL ratio in the industry.

5. Budget has been better controlled against the defined goals. Operating expenses (excluding the cost of provisioning for deposit risks) increase 7.56% from 2018, which is lower than the 14.14% growth of total operating income (excluding the extraordinary income from the disposal of STB stocks) in 2018.

6. Safety restrictions and prudent ratios are put under the Bank's strict supervision and compliant with SBV's requirements, detailed as:

- Consolidated capital adequacy ratio is 13.81%, and has been maintained in excess of the minimum required ratio of 9% at all times in the year.
- The loan-to-deposit ratio is 76.75% vs. the cap of 80%.
- The ratio of short-term funds used for medium and long-term loans is 31.23% vs. the maximum allowed ratio of 40%.
- The liquidity reserve ratio is 16.89% vs. the minimum ratio of 10%.
- The restrictions on credit granting, capital contribution for share purchase and investment in Government bonds are within the limits provided by SBV.

7. Development of effective management and operation platform

- Eximbank has completed the project on capital adequacy ratio in accordance with Circular 41/2016/TT-NHNN; and cooperated with KPMG to implement Circular 13/2018/TT-NHNN, establish risk management platforms, complete the controlling mechanism for senior managers, develop risk management framework, and perform regular training and internal communication to strengthen the compliance culture within the Bank.

- In 2019, the Bank continues streamlining its organization and operation structure in a more effective and business-focused way; and changes to the pay system by position classes linked to the annual delivery and receipt of KPIs so as to enhance the proactiveness of and motivate its workers.

- Centralization projects of trade finance and international money transfer have been completed nationwide; 24/7 customer support service has been consolidated and supplied; card operation has been centralized; customer origination and bulk account opening has been piloted; and payroll service has also been centralized. Moreover, Eximbank is actively preparing for other large projects for centralizing encashment and document post-control.

- Activities of distribution channels have been rigorously transformed through enhanced training on business competence, target-based sales management capabilities; inspiring and motivating to change the mindset of sales officers and managerial officers; allocating the KPIs to different levels; allocating targets and recognizing the performance of sales and cross-sales for each sales staff to strengthen sales capabilities; and offering services upon focused objectives of the Bank from time to time.

- In addition, internal communication quality has been reinforced to help establish the corporate culture and express the leading and professionally orienting role of Head Office towards the business units in the network.

- Eximbank has also kept standardizing and issuing management regulations to significantly cut down the costs of purchases. The network of banking units has been partially re-arranged to be more appropriate, stable and advantageous for doing businesses.

## 8. Subsidiary

The Asset Management One-member Limited Liability Company – Vietnam Export Import Commercial Joint-Stock Bank (shortly as AMC) has its actually paid capital of 300 billion VND as at 31/12/2019.

In 2019, the debt settlement and recovery continues to be performed by disposing of debt set-off assets and leasing properties.

Operating results in 2019:

- Revenues: 38.4 billion VND, up 5.7% from 2018
- Profit before tax: 14.8 billion VND

## **III. Business plan for 2020**

### **1. Business environment**

The world economy in 2020 deals with great challenges and adverse movements due to the spread of the COVID-19 pandemic which has placed negative impacts on the countries' economies.

Domestically, the economy is also facing with many obstacles and challenges when the growth of most industries and sectors is slowed down while unemployment rate goes high under unprecedented movements of the COVID-19. According to International Monetary Fund (IMF), the growth forecast of Vietnam may fall to 2.7%. Some economic sectors are expected to greatly suffer, especially tourism, transportation, and accommodation services.

Banking operations are of no exception. Intermittent production activities of companies have resulted in drastic drop in credit needs, while non-performing loans tend

to increase and more loan loss reserves have to be made. Moreover, in execution of SBV's guidelines, credit institutions have carried out solutions to share difficulties with the country and companies by way of rescheduling debts, exempting or waiving fees and interest rates, as well as launching packages with preferential rates. All of such will lower the profitability of the banking industry in 2020.

## **2. Business plan for 2020**

Upon analysis and assessment of the factors influencing Eximbank's business activities in 2020, the Board of Directors has approved the Management's proposal and would like to submit to the General Meeting of Shareholders the plan targets for the year as below:

### **2.1. Principal business targets**

- Total assets: 176,000 billion VND, up 5% from 2019
- Capital funding from economic entities and individuals: 147,800 billion VND, up 6% from 2019
- Credit exposure: 122,275 billion VND, up 8% from 2019  
(including customer loans and corporate bonds)
- NPL ratio: below 2%
- Profit before tax: 1,318 billion VND, up 20% from 2019

### **2.2. Solutions for execution of the 2020 plan**

For fulfillment of the proposed targets as above, Eximbank will concentrate on these major solutions:

(i) Business activities: implementing appropriate business models and products to each customer segment. Transiting the funding structure by raising the proportion of low-cost funds; completing the credit products and increasing more short-term loans to improve the net interest margin.

(ii) Launching solutions to cut down on operating expenses, delaying the execution of non-essential basic construction items, strengthening the management of cost use limits, and optimizing the personnel and operation mechanism.

(iii) Accelerating the settlement of outstanding legacies, focusing on handling the loans sold to VAMC, and setting the goal of acquiring all loans sold to VAMC by 2020 in line with SBV's direction in restructuring banks.

(iv) Risk management and Compliance: implementing Circular 13 upon the consultancy of KPMG; applying the CAR result calculated as per Circular 41 to businesses and risk management; strengthening internal inspection and control; conducting supervision to give alerts and coordinate with the units in risk

management and debt settlement; and raise awareness of compliance all over the network.

(v) Continuing to apply technologies to innovate the centralized management and approval processes to streamline the operational apparatus and mitigate operational risks. Enhancing the compliance culture through training and communication.

(vi) Focusing on developing the human resources by the positioning, competence framework and career path of employees; sharply investing in training for direct sales forces to improve service quality, building up successive managerial officers, and setting up treatments for key officers.

Eximbank achieved quite satisfactory results in 2019 with the growing scope and quality operations, upon close observance with SBV regulations. Turning to 2020, the Management believes that, despite the difficulties and challenges of the pandemic, the efforts of the whole management and employees accompanied by valued shareholders and customers will help Eximbank accomplish the goals proposed for 2020.

**FOR THE MANAGEMENT  
CHIEF EXECUTIVE OFFICER**