



THE SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS

**MANAGEMENT'S REPORT ON
BUSINESS PERFORMANCE IN 2020 AND PLAN FOR 2021**

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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 2020 and plan for 2021 as hereunder.

I. Business performance in 2020

The world economy has suffered from the impacts of the COVID-19 pandemic last from the end of 2019, during which GDP dropped 5% – the deepest decline since World War II. Total global debts have quadrupled the added value created by the world in a year. As to date, the success in vaccination is expected to set path for global growth in 2021.

The Vietnam's economy seems to be more positive than the gloomy picture of the world economy with the growth of GDP by 2.91%, CPI by 3.23%, and trade surplus of 20 USD billion.

The monetary policy has been flexibly regulated, contributing to stabilize exchange rate, maintain credit growth at a moderate level, adjust interest rate suitably to the macro economy, and sharply raise the country's FX reserves to 100 USD billion as estimated by end of 2020. Compared to the end of the previous year, USD interest rate continued to be maintained at low level, total payment instruments increased 12.8%, liquidity of the credit institution system was cleared, and credits grew 12%. The State Bank has lowered the regulatory interest rates 3 times in the year thanks to which the liquidity of the banking sector remained abundant, and commercial banks kept low interest rate for funds mobilized from individuals in line with SBV's orientation.

Despite the long-lasting COVID-19 pandemic which took direct negative impacts on the domestic and overseas economic and financial situation plus its own problems, Eximbank has struggled to achieve certain results as follows:

1. Total assets: 160,435 VND billion, decreasing 4.2% from 2019 and fulfilling 91.2% of the plan.

2. Total funding from economic entities and individuals: 133,918 VND billion, decreasing 3.8% from 2019 and completing 90.6% of the plan.
3. Total credit exposure (including loans outstanding and corporate bonds, not VAMC bonds): 102,018 VND billion, decreasing 10.2% from 2019 and completing 83.4% of the plan.
4. NPL ratio: 2.52%, up 0.81% from 2019 (1.71%).
5. Profit before tax: 1,340 VND billion, growing 22.3% from the previous year and outperforming the plan by 100.6%.

II. General assessment of business activities in 2020

1. Capital funding

Under the severe COVID-19 influences which have caused credit balance to go down, Eximbank has, in order to ensure efficient capital funding and fund use, taken initiative in reducing deposit rates, and focusing more on normal depositors who are offered with lower interest rates instead of those asking for high deposit rates. Although the size shrunk a bit, the transition in the funding source has helped stabilizing and reinforcing the customer base, while saving funding costs.

2. Fund use

Assuming that customers' business would be impaired because of market difficulties in the year, Eximbank has proactively tightened its lending, especially to high-risk areas, re-arranged the segment of large corporate customers, and reduced loans to customers asking for low lending interest rate, resulting in smaller credit size as compared to 2019.

Nonetheless, Eximbank has properly restructured its credit portfolio, and carefully made credit approvals without any quantitative easing. Consequently, credit quality has recorded positive changes on par with the Bank's strategic directions and in observance with the roadmap for amendment required by SBV. The percentage of short-term loans continues to be on the rise and the net interest margin has been much improved from 2019.

3. Other business activities

Products have been further developed and diversified, raising the non-income interest of all total operating income. In 2020, Eximbank concentrated on promoting the key services of a modern retail bank such as cards and bancassurance. Specifically, card fee income hiked 144% and premium income grew 23% from 2019, helping to boost the year's service income growth to 20% which is the highest in the last 4 years.

In addition, FX trading has also made significant contribution to the non-interest income increase by the growth rate of 9.3% from the previous year.

4. Credit quality

Despite many countermeasures and debt settlement methods applied, the NPL ratio increased from 1.71% (2019) to 2.52% mainly because of the COVID-19 pandemic whose influences have taken effect on customers' solvency, and the decrease in outstanding loans.

5. Forecasting that the COVID-19 pandemic will affect the Bank's operating income, the Management has carried out several solutions for cost reduction, control and optimization. Thanks to which, operating expenses dropped 11% from 2019.

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

- The consolidated capital adequacy ratio was 11.81%, and has been maintained above the minimum required ratio of 8% at all times in the year.
- The loan-to-deposit ratio was 72.45% vs. the cap of 85%.
- The ratio of short-term funds used for medium and long-term loans was 25.35% vs. the maximum allowed ratio of 40%.
- The liquidity reserve ratio was 20.47% vs. the minimum ratio of 10%.
- The restrictions on credit granting, capital contribution for share purchase and investment in Government bonds were within the limits provided by SBV.

7. Development of effective management and operation platform

- Eximbank has completed the Circular 41 project, under which the system for automatic calculation of the capital adequacy ratio has been built. Accordingly, its CAR is always higher than 8%, well meeting SBV requirements.
- The successful implementation of the Circular 13 project has helped strengthening the risk management at Eximbank, satisfactory not only to SBV requirements but also Basel II standards. The Bank has completed the senior management oversight apparatus, developed risk management framework, and provided regular training and internal communication to heighten the compliance culture within the Bank.
- Eximbank has transformed and completed the business model at business units to make their organization and operation more compact and effective. It has also gradually perfected the compensation and benefit policy for employees. Training has been carried out more actively and with quality.
- Major operational centralization projects have been deployed and completed so as to improve the performance, streamline and standardize procedures.

- 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; strengthening sales competence and offering services upon focused objectives of the Bank.

- PR activities for public orientation, branding and information about Eximbank have been well performed, and 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.

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 VND billion as at 31/12/2020.

- Results of NPL settlement and recovery under Eximbank’s entrustment:

- Total loan principals recovered in 2020: 365 VND billion
- Total interests collected: 124 VND billion

- Results of financing activities:

- Total revenues: 52.3 VND billion, up 36% from 2019
- Profit before tax: 26.9 VND billion, up 82% from 2019

III. Business plan for 2021

1. Business environment

2021 is forecast to be another difficult year for the global economy due to unprecedented movements of the COVID-19 pandemic which entail higher risks to the financial market, and abnormalities in the oil market, gold price, and USD rate, etc. The world economy will therefore face with interlocking challenges.

According to IMF, the Vietnamese economy has surpassed the bottom of the economic recovery chart. The Government and National Assembly expects the growth of GDP by 6%-6.5%, and CPI by 4% on average, in which the banking industry plays the significant role in the economy.

Following such, the SBV aims at regulating the monetary policy in a proactive and flexible manner, so as to control inflation by targets, stabilize the macro economy, contribute to growth resilience, and maintain the stability of the currency and FX market. In 2021, total payment instruments are anticipated to increase 12%; and credits by 12% which is subject to revision against actual happenings and situation. On the other hand, it will reinforce credit control with respect to areas implying risks,

and tackle credit difficulties for individuals or companies suffering from the pandemic and natural disasters.

2. Business plan 2021

Based on the analysis and assessment of the factors affecting Eximbank's business activities in 2020, the Board of Directors has approved the Management's proposals and would like to submit to the General Meeting of Shareholders the targets in the 2021 plan as follows:

2.1. Key operating targets

- Total assets: 177,000 VND billion, up 10% from 2020
- Capital funding from economic entities and individuals: 148,000 VND billion, up 10% from 2020
- Credit exposure (incl. customer loans and corporate bonds): 108,600 VND billion, up 6.5% from 2020

This is the growth rate allocated by SBV to Eximbank. In case of favorable businesses, Eximbank will apply for its permission to adjust the credit growth limit.

- NPL ratio: $\leq 2.5\%$
- Profit before tax: 2,150 VND billion, 60% higher than 2020

2.2. Solutions for execution

For achievement of the proposed goals, Eximbank focuses on some target solutions as below:

(i) Business activities

- Develop the customer base by increasing the use of products and shares of existing customers, promoting to develop new customers in value chains, creating ecosystems for customer development, standardizing the customer portfolio by segments, and deploying the priority banking model.

- Launch suitable products and services to each customer segment, improve the technological platform for IB and MB to bring about more utilities and enhance customer experience, and boost up credit card and bancassurance operations for higher fee income.

(ii) Continuing with solutions for cutting down on operating expenses, strengthening more control of expenditure quotas, and optimizing the staffing and operational apparatus.

(iii) Risk management and compliance. Continuing to apply the operations and procedures formulated during the execution of Circulars 13 and 41 so as to put the tools for risk measurement, control and management into daily businesses and lead

Eximbank to comply with high-level standards of the industry. The internal control system, operational risk management, roles of the 3 lines of defense, and the early alert system will be soon applied to the entire network to both control risks and raise staff's compliance awareness.

(iv) Accelerating the settlement of legacies, and buying back all the loans sold to VAMC in Q1/2021.

(v) *IT and operation.* Building up stable operation capacity for the system through such projects of upgrading the IT system and architecture; strengthening the capacity of the compliance and security system; increasing the application of IT to support business and customer development; boosting up centralized operation to release the sales forces at business units and better manage operational risks, and heightening productivity.

(vi) *Staffing.* Restructuring the human resources against the business model; formulating the competency framework and career path; standardizing and enhancing training quality; and planning for successors.

Although its scope of operation shrunk in 2020, Eximbank has made quite good growth in quality and efficiency, and strictly complied with SBV requirements. Turning to 2021 where the difficulties and challenges under impacts of the pandemic are still there, the Management believes that Eximbank shall, thanks to the endeavors of the Bank's executives and all employees as well the accompaniment of shareholders and customers, accomplish the goals set for the year.

**FOR THE MANAGEMENT
CHIEF EXECUTIVE OFFICER**