

EXIMBANK 2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS**REPORT ON THE OPERATIONS OF THE BOARD OF DIRECTORS, ITS
COUNCILS AND COMMITTEES IN 2020 AND OPERATIONAL DIRECTIONS
FOR 2021****To: GENERAL MEETING OF SHAREHOLDERS**

The Board of Directors (BoD) would like to report to the General Meeting of Shareholders the performance of its operations in 2020 as well as operational directions for 2021 as below.

A. OPERATIONS IN 2020**I. Overview**

In 2020, the world greatly suffered from the impacts of the COVID-19 pandemic, and Vietnam was of no exception. Many countries have fallen into twin health and economic crisis, and the world economy was in deep regression. According to statistics of the World Bank and International Monetary Fund, the decline was about -4.4% to -4.0%. On the other side, Vietnam stayed as a bright spot thanks to its successful containment of the pandemic and economic recovery with the growth rate of 2.91%. Although it was the lowest in the last 10 years, few countries have recorded positive growth in the year and Vietnam was also among those having the highest growth rate in the world¹.

In such context, the State Bank of Vietnam (SBV) has proactively, flexibly and simultaneously regulated its monetary policy instruments, timely employed precautions against COVID-19 and supported companies affected by the pandemic: issuing Directive No. 02/CT-NHNN and Circular No. 01/2020/TT-NHNN regarding the measures for COVID-19 prevention and subsidizing customers in overcoming the difficulties caused by COVID-19; and reducing the regulatory interest rates 3 times, contributing to lower lending interest rates to tackle the difficulties for both individuals and companies. Thanks to which, operations of the financial and banking market have been secured and thorough, actively supporting economic resilience. Credit growth of the whole industry achieved 12.13%, interest and exchange rates remained stable, and FX reserves reached the record of 100 USD billion.

Having been aware of the obstacles faced by the Bank since the early of 2020, the BoD has given close instructions to respond to the COVID-19 situation, ensuring its stability and completion of business targets; enhanced the management and oversight quality, fulfilled the major goals of the network, and fully performed the obligations to the State budget, laying a solid foundation for further growth in 2021.

II. Management and performance of the BoD and each Board member

¹<http://tapchinhang.gov.vn/nhung-diem-sang-cua-nganh-ngan-hang-viet-nam-nam-2020-va-trien-vong-nam-2021.htm>

1. Management by the BoD in 2020

In 2020, the BoD paid more attention to its management and instruction, shown in the organization of various meetings and polls to consult Board members' opinions for proper issuance of resolutions; guidelines to its subsidiary councils and committees to perform their duties as assigned by the BoD; and instruction and oversight of the Management's activities. Specifically as:

1.1. Organization of meetings and issuance of decisions/resolutions

In the year, the BoD held 26 meetings and 370 written polls, and issued 364 resolutions on business direction and management, debt settlement, and decisions on issues within its competence.

Such statistics show that 2020 was a hard-working year of all Board members in particular and the BoD in general.

1.2 Instruction on operations of subsidiary councils and committees

In the year, most of the councils and committees under the BoD have fully and timely performed the functions and duties set out in their respective regulations on organization and operations. The BoD has also directed and proceeded to make adjustment or addition of members to the councils and committees to ensure their continuity and enhanced quality. Activities of the councils and committees under the BoD in 2020 were as below:

a) Risk Management Committee: organized its operation in accordance with the established regulations on the function and duties, but the Committee has almost been inactive for quite a long time. After being reorganized, its operation has resumed normal; held 8 meetings to discuss 16 issues in the reports on: capital calculation as per Circular 41, progress of Circular 13 project; impacts of the COVID-19 pandemic on Eximbank's business, risk appetite and progress of the ICAAP; market risk management policy, proprietary trading risk management policy, liquidity risk management policy, policy of managing interest rate risk on the banking book, policy of operational risk management in new products and markets, policy of operational risk management in outsourcing; internal capital adequacy assessment process; business continuity management policy; risks pertaining to credit cards and debt roll-over, and overall risk management policy of Eximbank.

3/8 of which were not qualified for being conducted as the number of attending members was less than 2/3 of its members as provided in clause 3 Article 9 of the Regulations on the organization and operations of Risk Management Committee.

b) HR Committee: organized its operation in accordance with the established regulations on the function and duties. Accordingly, 10 meetings were held to discuss 46 issues and 57 polls were taken with respect to 150 issues for settlement and/or consultation to the BoD on staff recruitment, rotation and appointment within its competence.

c) Risk Settlement Council: organized its operation in accordance with the established regulations on the function and duties. Accordingly, 7 polls were taken with respect to 7 issues on specific risk provisions at the request of SBV Inspectorate, risk provisioning for Q1/2020, debt classification and quarterly risk provisioning for Q2/2020, Q3/2020 and Q4/2020.

d) Steering Committee for Prevention of Corruption and Crimes: organized its operation in accordance with the established regulations on the function and duties. Accordingly, 4 meetings were held to discuss 8 issues and 1 poll was taken on 1 issue concerning its composition; report on the prevention of corruption and crimes of Eximbank in 2019; plan for corruption and crime prevention in 2020; and reports on the prevention of corruption and crimes of Eximbank in Q1/2020, Q2/2020, Q3/2020 and full year of 2020.

1.3 Instruction and oversight of the operations of the Chief Executive Officer

- Based on its functions and duties, the BoD has, based on its functions and duties, issued a resolution ratifying the business plan temporarily allocated to maintain and develop the Bank. Under the long-lasting impacts of the COVID-19 pandemic directly on the economic and financial situation both domestically and overseas, the whole network has, under the BoD's instructions, endeavored to achieve satisfactory results as compared to 2019. The highlight was the 25% increase in the operating profit to 1,697 VND billion vs. 1,355 VND billion in 2019, outperforming the respectively plan by 118% and well meeting the liquidity and capital adequacy requirements to the Bank. On the other hand, some targets were yet to fulfill the proposed plan, such as recovery of bad debts, loans to individual customers, etc.
- Following the BoD's guidelines, the CEO/Acting CEO has organized the deployment of and completed the Circular 41 project for the development of a system for automatic calculation of the minimum capital adequacy ratio. According to which, the CAR of Eximbank has always been maintained above the threshold of 8% defined by SBV. Besides, Eximbank has also cooperated with KPMG to successfully implement the Circular 13 project, helping to strengthen its risk management in satisfaction with not only SBV requirements but Basel II standards as well. The completion of the senior management oversight, risk management framework, model of 3 lines of defense, together with regular training and internal communication has contributed to reinforce the compliance culture across the whole Bank.
- Operating expenses have been better controlled by the CEO/Acting CEO, and even dropped 11% from 2019 thanks to cost saving policies, especially staff costs with the sharing of 6,000 employees during the two stages of COVID-19. Business expenses were put under close management to cut down on unnecessary ones to the maximum extent.
- The oversight by the BoD over the CEO continued to be strengthened. In 2020, the BoD issued 364 resolutions within its competence which have been organized for execution by the CEO/Acting CEO as per regulations and upon periodical reporting.

2. Performance of the BoD and each Board member

2.1 Performance of the BoD

a) Achievements

Generally speaking, despite many challenges, difficulties and restrictions of a turbulent year, the BoD of Eximbank has, as the directors with their functions and duties, managed to achieve some certain results as follows:

i) Management and instruction

- Right upon Vietnam's announcement of the COVID-19 pandemic in the community, the BoD has closely clung to the instructions of the Party, Government, National Steering Committee for COVID-19 Prevention and Control, and other governmental and regulatory authorities and aggressively directed the Management to carry out the prevention and control of COVID-19 at all units in the network; issued guidelines to units on the business continuity plan for consistent execution, maintained thorough and safe operations, and complied with the policies of the Government and SBV.
- The BoD has directed and approved to restructure the organization, activities and operation of business units to make it more compact and effective, promote the centralization by functions, and separate the front and back offices at units from Head Office to branches and transaction offices; and approved the KPIs for managerial officers at business units through which to enable transparent and efficient evaluation of staff for reappointment. The staff apparatus has been decentralized by their functions, thanks to which the headcounts and productivity have been put under control, and internal resources have been optimized. The compensation and benefit policy is under completion; and many internal processes have been developed. Staffing work turns out to be more obvious and transparent, operational functions have become centralized and quality-based.
- The BoD has given instruction to professional sections to check and update the Bank's Charter and internal regulations against the Law on Enterprises and relevant law, and laid down to the 2019 AGM but not yet approved. In the 2020 AGM convened for the 3rd time, the BoD will submit the same again for consideration and ratification to make sure of Eximbank's compliance with current regulations and consistency in the contents and principles provided in relevant documents.

ii) Business activities

Under the BoD's guidance in the context where the domestic and overseas economic and financial situation greatly suffered from negative impacts of the COVID-19 pandemic, and thanks to the efforts of the whole network, Eximbank has gained such accomplishments as below:

- Key business activities:
 - + Total assets: 160,435 VND billion, decreasing 4.2% from 2019 and fulfilling 91.2% of the plan.
 - + Total funding from economic entities and individuals: 133,918 VND billion, decreasing 3.8% from 2019 and completing 90.6% of the plan.
 - + 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.
 - + NPL ratio: 2.52%, up 0.81% from 2019 (1.71%).
 - + Profit before tax: 1,340 VND billion, growing 22.3% from the previous year and outperforming the plan by 100.6%.

- + Safety restrictions and prudent ratios were under the Bank’s strict supervision and always compliant with SBV’s requirements.
- Other activities:
 - + 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.

b) Some shortcomings in the operations of the BoD

- Most of the Bank’s business targets have not fulfilled 100% of the proposed plan.
- High consensus is yet to reach within the BoD with respect to some issues for timely issuance of respective resolutions to meet the Bank’s management activities.
- The annual general meeting of shareholders has not been successfully organized to ratify the issues within the authority of the General Meeting of Shareholders.
- The number of Board meetings and proposals to the BoD is far more than those of other peers. Some of the proposals have not provided sufficient information and supporting documents, taking a lot of time for the BoD to consider and make decisions.

3. *Activities of the independent Board member and his evaluation of the activities of the BoD*

3.1 Activities of the independent Board member

Mr. Lê Minh Quốc is the independent Board member, undertaking the duties in accordance with law and Eximbank Charter.

He has also performed the respective functions and duties when taking over the position of Chairman/member of the councils and committees under the BoD, incl. Risk Handling & Overdue Debt Prevention Council, HR Committee, and Risk Management Committee.

3.2 Evaluation by the independent Board member of the BoD’s activities

In overall, Eximbank BoD has duly performed its functions and responsibilities in accordance with the Law on Enterprises, Law on Credit Institutions, Eximbank Charter, internal and relevant legal regulations.

The Board members participated in Board meetings as per regulations contributed opinions directly in the meeting or in writing to the issues raised in the proposals submitted to the BoD for consideration and approval. The attendance rate (incl. proxies) of Board members at its meetings was almost 100%, only that of 2 Board members was below 40%, and one member was 7.69% as she attended 2/26 meetings in proxy. The ratio of voting and response to polls taken by Eximbank BoD Office to proposals to the BoD was over 75%, while that of 2 Board members was lower than 5%.

4. Assessment of the Board Chairman against each of the Board members in 2020

On the basis of the activities of the Board members in meetings and written polls, the Board Chairman would like to make the following assessment:

No.	Board member	Assessment
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No.	Board member	Assessment
1	Yasuhiro Saitoh	Having fully performed the functions and duties as specified
2	Cao Xuan Ninh	Having fully performed the functions and duties as specified
3	Nguyen Quang Thong	Having fully performed the functions and duties as specified
4	Le Minh Quoc	Having fully performed the functions and duties as specified
5	Hoang Tuan Khai	Not having fully performed the functions and duties as specified
6	Dang Anh Mai	Not having fully performed the functions and duties as specified
7	Le Van Quyet	Having fully performed the functions and duties as specified
8	Luong Thi Cam Tu	Not having fully performed the functions and duties as specified
9	Ngo Thanh Tung	Having fully performed the functions and duties as specified

5. Remunerations, operating budget and other benefits of the BoD

Based on Resolution 155/2020/EIB/NQ-HĐQT dated 13/03/2020 on the advance of remunerations and operating budget for the BoD in 2020:

- (i) Remuneration amount: 110 VND million/member/month, same as the advance level in 2019
- (ii) Operating budget of the BoD: not more than 7,500 VND million/year, same as the advance level in 2019
- (iii) Remunerations, operating budget and other benefits of the BoD and each Board member shall be reported at the AGM in accordance with law and Eximbank regulations. If not ratified by the General Meeting of Shareholders:
 - Each Board member undertakes to refund in whole or in part the received remuneration advance which is not ratified as per regulations.
 - Board members whose expenditure is involved in the BoD's operating budget shall partly or wholly return the expenses not ratified.

B. OPERATIONAL DIRECTIONS FOR 2021

In 2021, as the management body of the Bank, the BoD shall carry out the following plans and directions:

- 1) Proposing to the General Meeting of Shareholders the expected persons to be elected as members of the BoD and BoS of the VII term (2020 – 2025) upon SBV's approval.
- 2) Completing the staffing of the Management.
- 3) Continuing to update and complete the internal legal corridor incl. the Charter, Regulations on the organization and operations of the BoD, Regulations on internal management, and other regulations in correspondence with current law.

- 4) Being compliant and overseeing to strengthen risk management to align growth with quality control; reinforcing the management capacity, and enhancing the network's performance on the basis of taking good advantage of the Bank's strengths.
- 5) Directing the Management to carry out measures for improvement of financial capability, effective cost management, and income optimization, helping to increase the network's business output.
- 6) Giving instruction on applying technology to innovate the centralized management and approval process to streamline the operating apparatus and mitigate operational risks.
- 7) Supervising the execution of the 2021 business plan by giving direction to the Management to cling onto and perform the main targets as below:
 - Total assets: 177,000 VND billion, up 10% from 2020;
 - 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 which is the cap assigned by SBV to Eximbank. In case the situation becomes more favorable, Eximbank will ask for SBV's permission to consider heightening the credit growth limit;
 - On-balance NPL ratio: $\leq 2.5\%$ of total loans;
 - Profit before tax: 2,150 VND billion, up 60% from 2020.
- 8) Reorganizing staff organization as per the business model; building the competency framework and career path; standardizing and improving training quality; and preparing for successor.
- 9) Speeding up the settlement of outstanding bad assets, and buying back all loans sold to VAMC in Q1/2021.

**FOR BOARD OF DIRECTORS
CHAIRMAN**

(Signed)

Yasuhiro Saitoh