

EXIMBANK 2020 ANNUAL GENERAL MEETING OF SHAREHOLDERS

**REPORT OF THE BOARD OF SUPERVISORS
ON ITS OPERATION IN 2019 AND THE TERM 2015-2020 AND
ORIENTATIONS FOR 2020**

To: GENERAL MEETING OF SHAREHOLDERS

– Based on the functions and duties of the Board of Supervisors (“BoS”) as defined in the Law on Credit Institutions 2010 and the law amending and supplementing a number of articles of Law on Credit Institutions 2017; Charter of Vietnam Export Import Commercial JS Bank (“Eximbank”) and Regulations on the organization and operations of the Board of Supervisors;

– Based on the Regulations on corporate governance applicable to listed companies;

– Based on the performance of Vietnam Export Import Commercial Joint Stock Bank, reports of the Board of Directors (“BoD”), the Management (“BoM”) and operation results of the Board of Supervisors in 2019 and the term 2015-2020,

The Board of Supervisors (“BoS”) would like to report to the General Meeting of Shareholders of Vietnam Export Import Commercial Joint Stock Bank (“Eximbank”) the performance of its assigned duties and power in 2019 and the term 2015-2020 as follows:

I. EVALUATION OF EXIMBANK’S OPERATIONS IN 2019:

1. Execution of the 2019 business plan (consolidated figures)

Unit: VND billion

No.	Item	2019 plan (*)	Executed in 2019	% completion
1	Total assets	181,000	167,538	93%
2	Capital funding	143,500	139,278	97%
3	Credit exposure (corporate bonds included)	115,570	113,555	98%
4	On-balance NPL ratio	< 2%	1.71%	
5	Pre-tax profit before additional provision for VAMC bonds according to Circular 08/2016/TT-NHNN	2,000	1,747	87%

No.	Item	2019 plan (*)	Executed in 2019	% completion
6	Profit before tax	1,077	1,095	102%

(*) In 2019, Eximbank held the annual general meeting of shareholders twice but failed, so the targets of 2019 plan are subject to the BoD's approval in Resolutions [11/2019/EIB/NQ-HDQT](#) dated 08/01/2019 and [159/2019/EIB/NQ-HDQT](#) dated 11/04/2019.

Despite the business targets for 2019 have not been ratified by the General Meeting of Shareholders, Eximbank made great efforts in performing the proposed business goals. Consolidated figures as at 31/12/2019 showed increase in most of the significant targets as compared to 2018, especially profit before tax. Specifically:

+ Total assets: 167,538 VND billion, increasing 10% from 2018 and fulfilling 93% of the plan (181,000 VND billion);

+ Funds mobilized from economic entities and individuals: 139,278 VND billion, growing 17% from 2018 and completing 97% of the plan (143,500 VND billion);

+ Total credit exposure (excluding VAMC bonds): **113,555** VND billion, increasing 9% from 2018 and fulfilling 98% of the plan (115,570 VND billion);

+ In the year, Eximbank kept tight control over credit quality, and the NPL ratio as at end of 2019 was 1.71% of total only (2018: 1.85%);

+ Bank-only profit before tax was 1,079 VND billion and consolidated profit before tax reached 1,095 VND billion, surging 32% from 2018 and fulfilling 102% of the plan.

2. Compliance with prudential ratios and safety limits:

In 2019, most of the key prudential ratios of Eximbank were satisfactory to the requirements set out in Circulars [19/2017/TT-NHNN](#) dated 28/12/2017 and [16/2018/TT-NHNN](#) dated 31/07/2018, except the two followings:

(i). The ratio of securities loans to total exposure of Eximbank as at 31/12/2019 was 6.04% (unchanged from the early year), higher than the cap of 5% provided in Circular 36. It was mainly due to the loans totaling 746 VND billion of 07 customers (overdue) backed by STB stocks for purchase of EIB stocks. On 02/10/2019, SBV sent Document 728/NHNN-TTGSNH allowing Eximbank to dispose of the collaterals being the 74,904,577 STB stocks for debt recovery according to regulations. Therefore, the Management will focus on settling these loans in 2020.

(ii). 14 loans with the balance of 4.23 VND billion (9 unsecured items amounting 0.97 VND billion, 4 secured items with preferential rates amounting 3.02 VND billion, and 1 pledged loan amounting 0.24 VND billion) and 335 unsecured credit card loans with the balance of 3.56 VND billion were granted to subjects restricted for credit granting in correspondence with Article 127 of the Law on Credit Institutions and Article 12 of Circular 36 (providing unsecured credits, providing

secured credits with preferential rates, and providing secured credits with common rates but not approved by the BoD).

3. Review of the 2019 financial statements:

- The BoS has examined the audited consolidated financial statements of the Bank and its subsidiary as of 31/12/2019 and agreed to confirm the following results:
 - + The consolidated financial statements have fully reflected the business situation and financial conditions of Eximbank and its subsidiary, and were prepared as per the forms issued under Decision No. 49/2017/TT-NHNN dated 31/12/2014 amending and supplementing some articles of Decision No. 16/2007/QĐ-NHNN dated 18/4/2007 of the State Bank on the financial reporting regime for credit institutions, and in accordance with Vietnamese accounting standards and prevailing regulations.
 - + The consolidated financial statements have honestly and reasonably presented the financial conditions in material aspects of Eximbank and its subsidiary as at 31/12/2019 as well as the consolidated business results in 2019.
- **Consolidated** balance sheet and income statement as at 31/12/2019 of Eximbank in 2019 were as follows (VND billion):

Target	31/12/2019	31/12/2018	+/- against 2018
1. Total assets	167,538	152,652	+ 10%
2. Shareholders' equity	15,749	14,884	+ 6%
3. Business result			
- Net operating profit before loan loss reserve	1,785	1,551	+ 15%
- Loan loss reserve	690	724	- 5%
- Total profit before tax	1,095	827	+ 32%
- Corporate income tax	229	166	+ 38%
- Profit after tax	866	661	+ 31%

4. Performance of some financial targets approved by SBV in the Plan for operational restructuring in association with bad debt settlement up to 2020 of Eximbank:

After 2/3 of the roadmap of restructuring Eximbank's operations, the BoS realizes that Eximbank has been on the right track and the Management has been really active in implementing the solutions. Nonetheless, the results in 2018 and 2019 were not up to expectations as some of the important targets are yet to reach the basic scenario. Detailed as:

(VND billion)

No.	Item	Scenario	Restructuring plan - 2018	Executed in 2018	% completion in 2018	Restructuring plan - 2019	Executed in 2019	% completion in 2019
1.	Total assets	Basic	172,480	152,652	89%	200,306	167,538	84%
		Aggressive	185,211		82%	223,983		75%
2.	Raised capital (funding from primary and secondary markets, and borrowings from SBV)	Basic	142,473	134,754	95%	166,694	147,963	89%
		Aggressive	149,258		90%	182,036		81%
3.	Credit exposure (loans to primary market + corporate bonds)	Basic	118,946	109,605	92%	139,116	117,989	85%
		Aggressive	123,138		89%	147,813		80%
4.	Settlement of on-balance bad debts		1,250	837	67%	1,150	529	46%
5.	Settlement of loans sold to VAMC		900	1,007	112%	800	1,112	139%

* *Note: Eximbank develops the targets upon Basic and Aggressive scenarios*

II. OPERATIONS OF THE BOS IN 2019 AND THE TERM 2015-2020:

1. Personnel:

- At the 31st General Meeting of Shareholders of Eximbank held on 15/12/2015 (Extraordinary General Meeting of Shareholders in 2015), the members of the BoS of the term 2015-2020 were elected with the number of 5. On the same day, the BoS held its first meeting session where Mr. Tran Le Quyet was elected as the Chief Supervisor.

No.	Name	Title	SBV's written consent and date of issuance
1	Tran Le Quyet	Chief Supervisor - executive	9591/NHNN-TTGSNH dated 14/12/2015
2	Tran Ngoc Dung	BoS member - executive	9591/NHNN-TTGSNH dated 14/12/2015
3	Dang Huu Tien	BoS member - executive	9591/NHNN-TTGSNH dated 14/12/2015
4	Pham Thi Mai Phuong	BoS member - executive	9591/NHNN-TTGSNH dated 14/12/2015
5	Trinh Bao Quoc	BoS member – non-executive	9591/NHNN-TTGSNH dated 14/12/2015

- On 01/08/2018, Vietcombank (“VCB”) sent Document 11919/VCB-DT dated 01/08/2018 notifying the change of its authorized representative at Eximbank. Accordingly, Mr. Tran Le Quyet was no longer the authorized representative of VCB at Eximbank and Ms. Nguyen Bich Thuy – Deputy Director of Investment Department has been assigned to represent 100% of VCB’s contributed capital at Eximbank instead without nominating herself as a BoD/BoS member of Eximbank so that VCB can proceed with the divestment from Eximbank. Mr. Tran Le Quyet – former Chief Supervisor naturally lost his capacity as from 01/08/2018.
- On 08/08/2018, the other BoS members elected Mr. Tran Ngoc Dung – BoS member as the Chief Supervisor in place of Mr. Tran Le Quyet. The composition of the BoS remains 4 members which has kept unchanged so far:

No.	Name	Title	Note
1	Tran Ngoc Dung	Chief Supervisor	Executive
2	Pham Thi Mai Phuong	BoS member	Executive
3	Dang Huu Tien	BoS member	Non-executive
4	Trinh Bao Quoc	BoS member	Non-executive

2. Operations of the BoS:

- The BoS currently operates in accordance with the Regulations on the organization and operations of the Board of Supervisors of Eximbank issued in conjunction with Decision No. 19/2018/EIB/QĐ-BKS dated 20/08/2018 as ratified by the 2018 AGM.
- During the term 2015-2020, the BoS held 232 meetings in total (both in-person discussions and written polls) to discuss, assign and perform the functions and duties of the BoS and allocate tasks to the Board of Internal Auditors (BoIA) (2 in 2015 (starting from 15/12/2015), 58 in 2016, 45 in 2017, 50 in 2018 and 77 in 2019). In overall, the BoS has always clung to the provisions of law and Eximbank Charter as well as the instructions of the State Bank and strategic orientations for the Bank’s development. Each BoS member has well executed their assigned duties, contributing to control risks and accompany Eximbank in overcoming the difficulties and taking back its position.

2.1. Supervision over compliance with the regulations in banking governance and management by the BoD and BoM of Eximbank:

- The BoS has closely attached to the directions of the State Bank in respect of credit institutions’ operations and strategic orientations for the Bank’s development. In supervision of the compliance with the regulations in banking governance and management by the BoD and BoM of Eximbank, the Chief Supervisor and BoS members have fully attended the meetings, regular or ad-hoc, held by the BoD, BoM, and their subsidiary councils/committees. Through such meetings, internal management reports, policies of the BoM as well as the audit/review results given by the BoIA, the BoS has made many recommendations/alerts to the BoD and BoM to make sure that the Bank’s operations comply with law and its Charter.

In terms of management tasks, the BoS finds that the BoD's operations during the term (especially in 2019) have been short of coordination and harmony which can be seen in the conflicting disagreements among the BoD members, long-lasting meetings without any final decisions made, resulting in the administrative fines charged to the Bank and significantly affecting its image. This is a noteworthy lesson for the BoD and BoS to learn experience from so as to avoid repetition in the following term.

- The BoS has frequently overseen the instruction, management and administration by the BoD and BoM of Eximbank during the performance of the Restructuring plan set out in point e clause 1 Article 2 of Decision No. 38/QD-NHNN.m dated 15/06/2018 approving the objectives, orientations, solutions and roadmap for carrying out the Plan for restructuring in association with bad debt settlement in the period 2016-2020 of Eximbank. Every quarter, half-year and full-year, Eximbank has made reports to the Banking Inspection and Supervision Agency on the results and progress of plan execution as per requirement.
- Supervising the honesty of the financial results by assigning its employees to review the interim and annual financial statements (including the ones having been audited by the independent auditor), through which to assess all activities of Eximbank and make recommendations to the BoD/BoM on their management and governance so as to duly obey law stipulations and enhance the Bank's performance.
- Overseeing the financial ratios and business performance of Eximbank through independent reports made by BoIA on monthly, quarterly, interim and annual basis.
- Supervising the remedy and correction of the recommendations stated in the conclusions of the State Bank Inspection and Supervision Agency, and recommendations of the BoS and BoIA.
- Based on the supervision results, the BoS has timely recorded the shortcomings during the course of operation, and made suggestions and recommendations to the BoD and BoM on control enhancement measures, amendment/improvement of internal procedures, regulations, etc. to limit and mitigate risks, ensuring compliance with law stipulations and improving operational quality and efficiency.

2.2. Supervision over the execution of the resolutions of the General Meeting of Shareholders:

- After checking the implementation of the AGM resolutions, it is recognized that:
 - ❖ 2019 AGM resolution: Eximbank held the AGM twice in the year but failed, so none of the issues have been ratified by the general meeting of shareholders.
 - ❖ 2018 AGM resolution: 13 issues ratified by the general meeting of shareholders have been fully performed.
 - ❖ 2017 AGM resolution: 1 out 18 issues ratified by the general meeting of shareholders has not been finished, which relates to the addition of 2 business lines to the Corporate registration certificate as ratified by the general meeting of shareholders:

- “ *Trade in and supply of interest rate derivative products* ”
- “ *"Other foreign exchange activities in domestic and international markets: FX forward transactions (Forward); FX swap transactions (FX Swaps); FX exotic option transactions (Exotic Options); and cross currency swap transactions (Cross Currency Swaps)"* ”.

Eximbank is waiting until a suitable time to apply for permission (this is the second application after SBV’s document expressing its rejection in 2018).

3. Coordination in operations between the BoS and BoD, BoM:

- The coordination between the BoS and BoD, BoM is always in compliance with law, Eximbank Charter and for the Bank’s common interests. The regular meetings of the BoD and its councils/committees, BoM and its councils are attended by the BoS representatives whose recommendations and suggestions are seriously considered and performed by relevant units as directed
- In addition, the BoS has also coordinated with the BoM and Steering Committee for handling inspectorate recommendations to monitor, urge and remind the units to make correction of the mistakes mentioned in inspectorate conclusions within the specified deadlines, and supervised the settlement of individuals/teams intentionally committing misconducts, or violating law/credit and internal management policies of Eximbank and the State Bank.

4. Preparation and oversight of the list of founding shareholders, major shareholders and related persons of members of the BoD, BoS and Chief Executive Officer:

- The BoS has regularly monitored, supervised and timely updated the list of founding shareholders, major shareholders and related persons of members of the BoD, BoS and Chief Executive Officer of Eximbank as well as the public disclosure of changes thereto. From 2015 to 2020, the changed list concerning the said persons has been properly announced in accordance with law.

5. Internal audit:

- The BoIA has been employed by the BoS to perform the supervisory tasks in correspondence with law stipulations and the Bank’s Charter.
- Internal audit during the term has duly followed the provisions of SBV in Circulars 44/2011/TT-NHNN dated 29/12/2011 and 13/2018/TT-NHNN dated 18/05/2018. Every year, the BoS directs the BoIA to prepare the internal audit plan in close attachment to the Bank’s operations, which is network-wise and risk-oriented, so as to make decision whether to conduct audit comprehensively or by subjects (credits, capital funding, asset purchase, or basic construction, etc.). During 2015 and 2020, the BoS has guided the BoIA to perform 162 audits/reviews at branches, transaction offices (T.O.s), departments/sections/centers at Head Office and the subsidiary, after which 44,452 recommendations have been made for the audited units to make remedy/correction/addition against the mistakes to mitigate risks in operations. Among which, 2,138 recommendations to the Head Office relate to procedures and

regulations to prevent risks and ensure more stringent operations. Upon the auditing results, the BoIA keeps closely monitoring and pushing the remedy and correction by the audited units, and makes monthly reports to the BoS and BoM for regulatory measures to any delays.

Year	Total audits	Of which		Total recommendations	Of which	
		Branches and T.O.s	HO		Branches and T.O.s	HO
2015	49	41	8	13,946	13,748	198
2016	31	14	17	7,275	6,320	955
2017	31	25	6	13,130	12,746	384
2018	35	25	10	9,983	9,590	393
2019	16	0	16	208	0	208
Total	162	105	57	44,542	42,404	2,138

- Besides, the BoS has, since 2019, instructed the BoIA to include in its annual plan the audit over the results of executing the Plan for restructuring in association with bad debt settlement up to 2020 of Eximbank as per the restructuring plan approved by SBV
- Apart from the internal audit as per the plan prepared at the end of each previous year, based on the actual operations of the Bank in the year, the BoS has directed the BoIA to review and recommend the BoM some outstanding problems which may affect Eximbank’s operations such as: the excessive loan-to-deposit ratio; the Finacle corebanking system after over 1 month of go-live; the loans to related customers; the loans backed by movable assets; the loans backed by properties to be foremed in the future; the loans outstanding, and interest accruals; the management of operating expenses by branches in the network; the use of stamp at branches and T.O.s; the incident at Vinadata data center; and the Regulations on granting of credit limits through the issuance and use of international cards, etc; and instructed the BoIA to develop the criteria of remote supervision and conduct the same by means of the defined criteria as updated and supplemented in order to enlarge the scope of supervision, detect and timely prevent risks.
- One of the most concerns of the BoS in the term (2015-2020) is to enhance the internal audit quality (incl. the resources). The BoS has instructed and assigned the BoS members to directly oversee the audit conducted by auditing teams, attend the meetings ratifying the auditing results to evaluate the internal audit quality as well as the operations of the audited units, from which the BoS shall suggest recommendations and take timely corrective actions.
- The BoS has also guided the BoIA to prepare the Internal audit handbook which is regularly updated for standardization and consistency in the method and procedures of auditing operations. It has facilitated internal audit officers to foster their professional knowledge and skills via annual training courses held both internally and externally by known training establishments.

- Since the effect of SBV’s Circular 13/2018/TT-NHNN ("Circular 13") dated 18/5/2018 providing for the internal control system of commercial banks and branches of foreign banks, the BoS has relentlessly strengthened and deployed the third line of defense to carry out independent and objective assessment of the compliance, risks and effectiveness with respect to the first and second lines of defense. In satisfaction of Circular 13 requirements, the BoS has issued the system of internal regulations of the BoS and BoIA, including the regulations on the organization and operations of the BoIA, regulations on the organization structure of the BoIA, code of conduct for members of the BoS and BoIA in accordance with law. In 2020, KPMG will organize training on the internal audit component. The BoS will direct the BoIA to check against the internal regulations of the BoS, complete the auditing methods, develop audit programs and improve the internal audit quality upon KPMG’s consultation to make internal audit operations more efficiently and satisfactory to the requirements of Circular 13 and international standards on internal audit.
- During the term 2015-2020, the BoS has issued some internal regulations in internal audit namely as the regulations on risk ratings of branches/T.O.s at Eximbank; Internal audit handbook; regulations on classification of operational mistakes at branches/T.O.s at Eximbank; regulations on scoring the task completion at the BoIA of Eximbank; and procedures for auditing the capital adequacy ratio at Eximbank.

III. DIRECTIONS FOR OPERATIONS OF THE BOS IN 2020:

Based on the functions and duties of the BoS and general orientations on the Bank’s operations, the BoS has identified its operational directions for 2020 with focus on the following main duties:

- 1) Continue performing all functions, duties and powers of the BoS in supervising the management and administration by the BoD and BoM according to law and the Charter.
- 2) Closely work with the BoD and BoM in the organization of the AGM.
- 3) Tightly coordinate with the BoD and BoM in developing and effectively executing the resolutions of the general meeting of shareholders and BoD in correspondence with law and Eximbank Charter.
- 4) Keep closely supervising and urging to effectively perform the Plan for restructuring in association with bad debt settlement during 2016 – 2020 of Eximbank as approved by the State Bank.
- 5) Coordinate with the Management to continue completing the operations of the 3 lines of defence, enhancing the performance of the internal control system in banking operations.
- 6) Play the supervisory role of the senior management with respect to Internal audit. Carry out internal audit as per the plan registered with SBV and at irregular requests of SBV and the Bank’s executives.

- 7) Pay attention to reforming and innovating internal audit activities; focus on and maintain the improvement of quality, professional knowledge and skills by resources of the internal audit section.
- 8) Promote remote supervision so as to detect and timely prevent risks, contributing to strengthen the Bank's operational outcome.

IV. RECOMMENDATIONS:

Upon oversight of the management, administration and business activities of the Bank, the BoS would like to recommend:

- 1) The BoD and BoM should further promote their roles in the governance and management; quickly fix the shortcomings raised by the Banking Inspection and Supervision Agency, BoS and BoIA; make available strategic orientations and certain action plans for the Bank's businesses; and continue to consolidate, strengthen and boost up business activities in the following years, ensuring the Bank's sustainable development and acquisition of its inherent position.
- 2) To tightly control the credit portfolio to keep its structure and credit quality safe and suitable to the proposed objectives.
- 3) To continue controlling and handling bad debts as per the defined timeline and plan so as to raise more income for the Bank and complete the overall goal of the industry under the SBV Governor's instruction in Directive 01/CT-NHNN dated 03/01/2020.
- 4) The BoD shall give detailed instruction and closely supervise the Management during the restructuring of the Bank.
- 5) To reinforce internal supervision and control to detect, alert and suggest timely corrective and preventive measures.
- 6) To devise solution to speed up the progress of kickstarting the construction of the Head Office at 7 Le Thi Hong Gam.
- 7) Some of the contents in Eximbank Charter have become outdated and not correspondent to prevailing law. Since 2018, the BoD has made several proposals to the general meeting of shareholders for amendment, but not ratified in the 2018 AGM, while the AGM and Extraordinary General Meeting in 2019 were not successfully held.

Therefore, it looks forward to early consideration and approval by the general meeting of shareholders so that the BoD can have the Charter amended in accordance with law.

**F/O THE BOARD OF SUPERVISORS
CHIEF SUPERVISOR**

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