

EXIMBANK 2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS

REPORT ON THE OPERATION OF THE BOARD OF SUPERVISORS IN 2020  
AND ORIENTATIONS FOR 2021

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 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 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 2020 as follows:

**I. EVALUATION OF EXIMBANK’S OPERATIONS IN 2020:**

**1. Execution of the 2020 business plan (consolidated figures)**

Unit: VND billion

No.	Item	2019 plan (*)	Executed in 2019	% completion
1	Total assets	176.000	160.435	91%
2	Capital funding	147.800	133.918	91%
3	Credit exposure (corporate bonds included)	122.275	102.019	83%
4	On-balance NPL ratio	<2%	2,52%	
5	Pre-tax profit before additional provision for VAMC bonds	1.918	1.666	87%
6	Profit before tax	1.318	1.340	102%

(\*) In 2020, Eximbank held the annual general meeting of shareholders twice but failed, so the targets of 2020 plan are subject to the BoD’s approval in Resolution 247/2020/EIB/NQ-HDQT dated 07/05/2020.

2020 was a difficult year not for Eximbank only under the impacts of the COVID-19 pandemic. Despite adjustments to the year’s plan, most of the major business targets of

Eximbank were not achieved. Nonetheless, it can be seen that the Bank has made great efforts during the year.

According to the consolidated financial statements as at 31/12/2020:

+ Total assets: 160.435 VND billion, decreasing 4,24% from 2019 and fulfilling 91% of the plan;

+ Funds mobilized from economic entities and individuals: 133.918 VND billion, decreasing 3,85% from 2019 and fulfilling 91% of the plan;

+ Total credit exposure: 102.019 VND billion, decreasing 10,16% from 2019 and fulfilling 83% of the plan;

+ On-balance NPL ratio: 2,52%, underperforming the target plan of below 2% (2019: 1,71%);

+ Only the consolidated profit before tax recorded growth of 22% to 1.340 VND billion as compared to 2019, completing 102% of the plan.

## **2. Compliance with prudential ratios and safety limits:**

Eximbank has applied Circular 22/2019/TT-NHNN dated 15/11/2019 right upon its effect on 01/01/2020, and complied with the restrictions and prudent ratios required by SBV, except for:

(i). The ratio of loans for stock investment and trading to charter capital as at 31/12/2020 was 6,04% (unchanged from the early year), higher than the cap of 5% provided in Circular 22/2019. It was mainly due to the loans totaling 746 VND billion of 07 customers (which have past due) against the security being 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. Eximbank has initiated lawsuits against these 7 customers since 07/2016, and 5 out of which have finalized appellate trials with the outstanding balance of 500 VND billion. For the other 2 cases with the outstanding principal of 246 VND billion, Eximbank is awaiting settlement by first-instance procedures in accordance with law.

(ii). 7 loans with the balance of 3,262 VND billion (4 unsecured items amounting 0,613 VND billion, and 3 secured items with preferential rates amounting 2,649 VND billion) and 27 unsecured credit card loans with the balance of 0,335 VND billion were granted to subjects restricted for credit granting in correspondence with Article 127 of the Law on Credit Institutions and Article 10 of Circular 22 (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 31/12/2020 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 all material aspects of Eximbank and its subsidiary as at 31/12/2020 as well as the consolidated business results in 2020.

– **Consolidated** balance sheet as at 31/12/2020 and consolidated business results in 2020 of Eximbank were as follows (VND billion):

Target	31/12/2020	31/12/2019	+/- against 2019 (%)
1. Total assets	160.435	167.538	-4%
2. Shareholders' equity	16.819	15.749	+7%
3. Business result			
- Net operating profit before loan loss reserve	<b>2.007</b>	<b>1.785</b>	+12%
- Loan loss reserve	667	690	-3%
<b>- Total profit before tax</b>	<b>1.340</b>	<b>1.095</b>	<b>+22%</b>
- Corporate income tax	270	229	+18%
<b>- Profit after tax</b>	<b>1.070</b>	<b>866</b>	<b>24%</b>

#### 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:

2020 is the final year to execute the Plan for restructuring Eximbank operations during the period of 2016-2020. As acknowledged by the BoS, Eximbank has been on the right track and the Management has been really active in implementing the solutions. However, the results have not been up to expectations as some of the important targets are yet to be performed or record positive changes such as: increase of charter capital, expansion of operational network, recovery of loans sold to VAMC; and some key financial targets have not reached even the basic scenario proposed in the plan, incl. total assets, deposits, loans, and debt settlement.

(VND billion)

No.	Item	Scenario	Restructuring plan - 2018	Executed in 2018	% completion in 2018	Restructuring plan - 2019	Executed in 2019	% completion in 2019	Restructuring plan - 2020	Executed in 2020	% completion in 2020
1.	Total assets	Basic	172.480	152.652	89%	200.306	167.538	84%	233.429	160.435	69%
		-	-		-	-		-	-		
		Aggressive	185.211		82%	223.983		75%	271.458		59%
2.	Raised capital (funding from primary and secondary markets, and borrowings from SBV)	Basic	142.473	134.754	95%	166.694	147.963	89%	195.032	140.272	72%
		-	-		-	-		-	-		
		Aggressive	149.258		90%	182.036		81%	221.681		63%
3.	Credit	Basic	118.946	109.605	92%	139.116	117.98	85%	162.	104.05	64%

No.	Item	Scenario	Restructuring plan - 2018	Executed in 2018	% completion in 2018	Restructuring plan - 2019	Executed in 2019	% completion in 2019	Restructuring plan - 2020	Executed in 2020	% completion in 2020
	exposure (loans to primary market + corporate bonds)	– Aggressive	– 123.138		- 89%	- 147.813	9	- 80%	825 – 177. 345	1	- 59%
4.	Settlement of on-balance bad debts		1.250	837	67%	1.150	529	46%	1.150	552	48%
5.	Settlement of loans sold to VAMC		900	1.007	112%	800	1.112	139%	600	1.929	322%

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

## II. OPERATIONS OF THE BOS IN 2020:

– The BoS consists of 4 persons, 2 executive and 2 non-executive. It 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.

– In 2020, the BoS held 60 meetings (both in-person discussions and written polls) to allocate tasks to the Board of Internal Auditors (BoIA), perform senior oversight over Internal Audit, and agree on issues and matters within the functions and duties of the BoS.

### 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, the BoS assesses that the lack of consensus within the BoD still exists, causing delays in making decisions.

– The BoS has closely supervised the organization of Eximbank general meetings of shareholders. In 2020, the BoD held general meetings of shareholders 3 times: the 2020 AGM in the morning of 30/06/2020, the 2019 EGM in the afternoon of 30/06/2020, and the reconvened 2020 AGM on 29/07/2020. All were unable to conduct for the reason of unqualified quorum. The 2020 AGM convened for the 3rd time, as of end of 2020, is yet to be held by virtue of the COVID-19 pandemic.

– 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/QĐ-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. 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:
  - ❖ Eximbank held general meetings of shareholders 5 times in 2 years of 2019 and 2020, but all failed. Therefore, no 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 BoD and BoM have timely informed the BoS of the meetings of the BoD and its councils, as well as councils and committees under the BoM. The BoS has sent staff to attend all such meetings and given advice to the BoD and BoM in deciding issues within their competence, contributing to enhance the governance and risk management efficiency. On the opposite, the BoD and BoM have also actively supported the BoS in the organization and execution of its operations and internal audit.
- In the year, the BoS, BoD and BoM have well cooperated with one another in the timely provision of information and documents during the inspection of the legal entity of Eximbank conducted by the Banking Inspection and Supervision in 2019 and 2020.
- In addition, the BoS and BoM have worked together to monitor, urge and remind the units to make correction of the mistakes mentioned in inspectorate conclusions within the specified deadlines, and supervised the strict 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. In 2020, the changed list concerning the said persons was properly announced in accordance with law.

**5. Internal audit:**

The BoS carries out its supervisory duties, by means of Internal Audit section, in correspondence with law and the Bank’s Charter. It has frequently directed Internal Audit to perform activities under the functions and duties defined by SBV and Eximbank and as per the internal audit plan already formulated, and report to SBV. Specifically:

- In 2020, the BoS instructed the BoIA to conduct 19 audits, through which 885 recommendations have been made for the audited units to correct/remedy/make addition to the mistakes so as to restrict risks in operations. Audit reports and recommendations of Internal Audit are sent to leaders of the audited units, BoM and BoD. Upon the audit results, the BoIA keeps close track and pushes the remedy and correction by the audited units, and makes quarterly reports to the BoS and BoM for consolidation of any delays in correction.
- In each audit, the BoS assigns its members to attend the meetings ratifying the audit results with divisions/departments/branches/subsidiary, through which to control the audit quality, assess the compliance with the code of conduct and evaluate the achievements and limitations of Internal Audit to draw out experience, relentlessly improve internal audit quality, enhance the competence of internal auditors and take into play the role of the last line of defense in the internal control system of the Bank.
- Besides, the BoS has also directed Internal Audit to annually audit the results of executing the Plan for restructuring in association with bad debt settlement up to 2020 of Eximbank as approved by SBV.

- In the year, the BoS has closely monitored and timely guided Internal Audit to engage in the Project for Circular 13 implementation with respect to the internal audit component under the consultation of KPMG. As of 31/08/2020, the BoIA has followed the right track of the internal audit component. Through the project, internal auditors have been trained on the knowledge and methodology to conduct audit programs, assess the internal control system and manage risks in correspondence with Circular 13/2018/TT-NHNN. It has piloted the new audit method in 4 audits under which the risks of the network and audited units have been pointed out, highly appreciated by the the Management.
- The BoS has issued the policy framework for Internal Audit satisfactory to Circular 13 requirements, to be applicable from 2021 onwards.
- In overall, the BoS has always complied with provisions of law and Eximbank Charter, clung to SBV guidelines and the Bank’s growth strategic orientations. Its members have fundamentally fulfilled the assigned duties. Apart from achievements, it still implies some limitations, so the BoS will further strengthen its supervision over the management activities and give closer instructions to Internal Audit to better improve its jobs.

### **III. DIRECTIONS FOR OPERATIONS OF THE BOS IN 2021:**

Based on the orientations and business plan of the Bank as well as the coordination mechanism among the BoD, BoM and BoS as established in the inspection and supervision activities, the BoS has identified its operational directions for 2021 with focus on the followings:

- (i). Continue to reinforce and enhance the supervision of the observance with law and the Charter with respect to the management, governance and performance of resolutions of the General Meeting of Shareholders;
- (ii). Maintain the information exchange mechanism between the BoS and the BoD and BoM to improve the output of governance, risk management and compliance;
- (iii). Cooperate with the BoD and BoM to organized the 2020 AGM convened for the 3rd time and the 2021 AGM;
- (iv). Supervise, push and coordinate with the BoD and BoM in the remedy and correction against IC 4661/KL-TTGSNH2;
- (v). Examine the financial statements on regular basis according to regulations;
- (vi). Perform the role of senior management oversight over Internal Audit. Keep instructing and supervising Internal Audit operations in line with Circular 13/2018 and Eximbank regulations in terms of: 1) execution of internal audits as per the plan registered with SBV at irregular request of SBV and the Bank’s executives; 2) completion of the staff organization of Internal Audit and enhancement of internal audit quality for optimization of resources in satisfaction with Circular 13 requirements, contributing to the common development of the Bank; and 3) modernization of internal audit activities throug the project of operational management information system for Internal Audit.
- (vii). Review, supplement and amend internal regulations for the activities of the BoS and Internal Audit.
- (viii). Perform the functions and duties of the BoS in accordance with regulations of SBV, the Charter and Eximbank.



#### **IV.RECOMMENDATIONS:**

Upon supervision of the governance, management and business activities of the Bank, the BoS would like recommend the General Meeting of Shareholders, Board of Directors and Board of Management as below:

##### **1. To the General Meeting of Shareholders:**

- (i). Some of the provisions of Eximbank Charter have become outdated against current law regulations. Since 2018, the BoD has made several proposals to the General Meeting of Shareholders for amendment, but not approved by the 2018 AGM, while the 2019 AGM, 2019 EGM and 2020 AGM were unsuccessfully held. Therefore, it is hereby suggested to the General Meeting of Shareholders to consider promptly approving the BoD's proposal to make proper amendment to the Charter in conformity with law;
- (ii). The General Meeting of Shareholders should soon consider to approve the investment project in the head office construction at 7 Lê Thị Hồng Gấm to speed up the progress and put it into exploitation, reducing wastes to the Bank.

##### **2. To the BoD and BoM:**

- (i). The BoD and BoM should strengthen their roles in management and governance, quickly address the outstanding issues raised by the Banking Inspection and Supervision Agency, BoS and BoIA; make available specific strategy and action plans for the Bank's affairs; and reinforce, consolidate and further promote business activities in the forthcoming time for the sustainable development of Eximbank;
- (ii). Tightly control the credit portfolio, ensuring its safety and credit quality against the proposed targets;
- (iii). Closely control the incurrence of new non-performing loans, especially from the customers affected by COVID-19, and strengthen to settle bad debts so as to earn income for the Bank and fulfill the common objectives of the banking industry under the guidance of SBV Governor in Directive 01/CT-NHNN dated 07/01/2021;
- (iv). The BoD shall instruct to BoM to formulate the Plan for restructuring in association with bad debt settlement for the period of 2021-2025 based on the experiences learnt from the previous stage in order to take proper actions to finalize the goals as proposed;
- (v). The BoD shall conduct on its own and direct the CEO to organize the remedy against the recommendations of the team inspecting the legal entity of Eximbank according to IC 4661/KL-TTGSNH2;
- (vi). Reinforce the supervision and internal control to detect, give warning and suggest timely preventive measures.

**F/O BOARD OF SUPERVISORS  
CHIEF SUPERVISOR  
(Signed)**

**TRAN NGOC DUNG**