

Ha Noi, 8<sup>th</sup> April 2021

## **REPORT OF THE BOARD OF DIRECTORS ON ITS OPERATION IN 2020 AND ORIENTATION FOR 2021**

*(To be submitted to the General Meeting of Shareholders on 29<sup>th</sup> April 2021  
for approval)*

As we all know, in the year 2020 our country has experienced many unprecedented difficulties and challenges such as coping with Covid-19 epidemic, severe floods and landslides in the central region... with strong impacts on people's life and health, economic stability and business activities in many fields. However, thanks to the timely direction, effective response by the Government, the solidarity and efforts of all classes of people, the Vietnamese economy still generates more than USD1,200 billion of gross domestic product and keeps macroeconomic stability. In the context of global recession due to epidemics, Vietnam is considered as one of 12 successful emerging economies and one of the few economies maintaining positive growth. Vietnam's financial and banking system operates relatively stably with positive developments in trade balance and capital flows. In that context, the business activities of An Binh Commercial Joint Stock Bank have been continuously monitored and adjusted by the Board of Directors and the Board of Management in accordance with market developments and Government and State Bank of Vietnam's guidance. With the efforts of all staff, An Binh Bank has fulfilled the dual goal of achieving the profit target assigned by the General Meeting of Shareholders and maintaining the safety indicators.

The Board of Directors of the Bank would like to report to the General Meeting of Shareholders on the results of the Bank's governance activities in 2020 and the orientation of the operation plan for 2021 as follows:

## I. ABOUT THE IMPLEMENTATION OF 2020'S TARGETS

### 1. Key business indicators of ABBANK

Business performance of the year 2020 is presented in details in the attached audited financial report and poseted in ABBANK website: [www.abbank.vn](http://www.abbank.vn), in which key indicators are as follows:

#### 1.1 Business indicators

- Total asset: VND116,267 billion, increasing 13% to 2019's.
- Total deposit from customers (including international institutions): VND80,591 billion, increasing 3% to 2019's.
- Total loan: VND69,469 billion, increasing 10% to 2019's.
- Profit before provision: VND1,881.7 billion, increasing 9% to 2019's.
- Profit before tax: VND1,368.3 billion, achieving 111% of 2019's plan.
- Bad debt 1.5% (Calculated according to Circular 02/2013/TT-NHNN).

#### **Consolidated result at 31<sup>st</sup> Dec 2020:**

- Total asset: VND 116,367billion.
- Equity: VND 8,911billion.
- Profit before tax: VND 1,403billion.

#### 1.2 Business result of the Subsidiaries

- Subsidiaries: ABBANK's Debt Management and Asset Exploitation Company (ABBA): Profit before tax: VND59.9 billion.

The Board of Directors proposes the General Meeting of Shareholders to approve the audited financial report for the financial year ending at the 31<sup>st</sup> December 2020 – The detailed reports were publicly announced on the ABBANK's website: <https://abbank.vn/thong-tin/bao-cao-tai-chinh.html>.

## 2. Regarding the Bank's Corporate Governance

### 2.1. Structure and operation of the Board of Directors and its Committees

The structure of the Board of Directors for the term of 2018 - 2022 in 2020 includes:

1. Mr. Dao Manh Khang - Chairman
2. Mr. Vu Van Tien - Vice President



3. Ms. Iris Fang - Member
4. Mr. Soon Su Long - Member
5. Mr. Luu Van Sau - Independent member
6. Mr. Nguyen Danh Luong - Independent member
7. Mr. Jason Lim Tsu Yang - Member

The Board of Directors operates in the first half of the year with 6 members. On June 12, 2020, the General Meeting of Shareholders elected Mr. Jason Lim Tsu Yang to be a Member of the Board of Directors, increasing the number of Members to 7 persons for the current term.

## 2.2. Board of Directors' operation:

- a) In 2020, the Board of Directors held regular meetings and voted in writing many times to decide issues related to governance, business strategy, risk management, debt handling, and promulgate policies in accordance with the reality and the provisions of the Law.
- b) Chairman, Vice Chairman and members of the Board of Directors have performed correctly the assigned functions and duties; participate fully in activities of the Board of Directors and committees. In 2020, the Board of Directors has promoted its high role and responsibility, promptly, drastically and regularly directed through directives, business promotion meetings, Strategic Project Steering Committee meetings and meetings to discuss and provide ideas to build medium-term business strategy.
- c) The Board of Directors has carried out the assessment of the performance of BOD members and the Board of Directors in accordance with the governance standards.
- d) In 2020, the Board of Directors of ABBANK issued a series of documents and decisions on banking policies and governance, including important documents such as:
  - Regulations on safety limits and ratios in operations at ABBANK.
  - Information Disclosure Regulation.
  - Regulations on organization and operation of credit approval levels.
  - Asset quality assessment policy and capital adequacy ratio.

- Regulations on delivery, preservation and transportation of cash, valuable assets and valuable papers.
  - Operational risk and liquidity risk management policy at ABBANK.
  - Compliance policy at ABBANK.
  - Policy of procedure of book management at ABBANK.
  - Partner Credit Risk Management Policy.
  - Liquidity Risk Policy of ABBANK.
  - Operational Risk Management Policy of ABBANK.
  - Risk appetite in 2020.
  - Credit risk management policy of ABBANK.
  - Stress test policy of ABBANK.
  - Policy Assessment of capital adequacy.
  - Decentralization of authority to approve debt structure for customers affected by Covid-19 translation.
  - Data Management Policy and Data Quality Management.
  - Regulations on operating cost distribution method at ABBANK.
- e) The Board of Directors proactively selects an independent auditor for financial statements, Ernst & Young Viet Nam Co., Ltd. to ensure the audit progress in the context of complicated Covid-19 social distancing. This selection was then approved by the Annual General Meeting of Shareholders at the annual meeting on June 12, 2020;
- f) Directed the building up and approve the adjustment of strategic mid term business plan for the period 2021 - 2025, including action plans and strategic initiatives of Divisions / Units;
- g) Approved the plan of investment and procurement costs for the whole system; approved credit extension transactions under the authority of the Board of Directors (group with outstanding balance from 15% of charter capital to 15% of equity; transactions with related parties) in accordance with current law; dismissal, appointing CEO.
- h) Other activities of the Board of Directors are performed through Committees, Councils of the Board of Directors, Chairman and members of the Board of Directors in accordance with the functions and authority assigned by the Board of Directors.

### 2.3. Activities of the Risk Management Committee (RMC)

In 2020, the Risk Management Committee maintained a structure of 3 members, of which 2 are non-executive BOD members and 1 member is the Bank's Project Director of Basel. RMC held 4 direct meetings with the full participation of the members, handling many of the issues of the Committee's functions in accordance with the law, the Charter, the Regulation on organization and operation of Risk Management Committee. RMC activities include:

- a) Advising and advising the Board of Directors on the completion of the system of documents and policies to manage key types of risks, ensuring to meet relevant requirements of the law and orientating to advanced risk management standards.
- b) Supervising the Board of Management in the implementation of policies and strategies on risk management approved by the Board of Directors: This content is continuously carried out in meetings, policy reviews.
- c) Risk management supervision of Councils under the Board of Management: This content is carried out and reported in every RMC meeting.
- d) Supervising strategic projects of the Bank: In addition to the overall supervision of the Bank's strategic projects, RMC also acted as the Steering Committee for the following Projects:
  - Risk Weighted Asset Classification Project (RWA) related to the optimization of risky weighted assets (period of Project post-delivery for implementation);
  - Internal Capital Adequacy Assessment (ICAAP) Project;
  - ALM project and review of FTP internal fund transfer pricing mechanism.

### 2.4. Activities of the Human Resources Committee (HRC)

HRC structure included 3 members, in which the Chairman and one member is a Member of the Board of Directors. The main activities of the HRC in 2020 are as follows:

- Advised and recommended the Board of Directors on personnel issues, salary, remuneration, bonus and remuneration policies for employees of ABBANK;
- Evaluated, considered and proposed to the Board of Directors to recruit, appoint, and dismiss senior officials of BOM. On September 28, 2020, the State Bank of Vietnam issued a written approval for the expected appointment of the Chief

Executive Officer position of ABBANK and on September 30, 2020, the Board of Directors of ABBANK officially appointed Mr Le Hai to the title of ABBANK CEO;

- In 2020, HRC and Chairman, Vice Chairman and independent members of the Board of Directors have participated in many meetings with the Board of Directors to direct the development of the Project on salary scheme to improve productivity, bringing efficiency to ABBANK.
- Directing related units in the implementation of solutions and actions to reinforce the core values of ABBANK, which is the positive behavioral orientation of all employees, contributing to sustainable development of the bank.
- Proceeded evaluation, emulation and reward recommendation: participated and advised the Board of Directors on the performance of the Board of Management, key units and staff.

## 2.5. Activities of Strategy Committee (SC)

The personnel of the Strategy Committee comprises of all members of the Board of Directors. In 2020, SC directly instructed the BOM to develop important projects:

- The project of selecting an information technology development consultant - an important component of ABBANK's medium-term business strategy.
- In 2020, the SC members have supervised and directed the review and adjustment of the Bank's strategic objectives, and in July 2020, the Board of Directors issued a resolution approving the strategic goals of the Bank for 2021 - 2025 period;
- Based on the approved Strategic Objectives, SC has directed the Board of Directors to develop and propose the Bank's Strategic Plan. In October 2020, the Board of Directors issued a resolution approving the main targets of the strategic plan of ABBANK for the period of 2021 - 2025 (the medium-term business plan had been approved by the Board of Directors at early February).
- In 2020, SC organized 4 meetings and many working sessions between the Committee members and the BOM to listen to reports, exchange, direct and comment on the detailed strategic plan for the period 2021 - 2025 of ABBANK with specific action plan. Up to present, this detailed strategic plan has been approved by the Board of Directors and officially put into implementation.

3. Report on transactions with related persons of Board of Directors in 2020, transactions between ABBANK and related persons have been submitted for approval and implemented to ensure compliance with legal regulations; the summary of transactions with related parties are shown in the Audited Financial Report 2020 of ABBANK which has been published on ABBANK's website: [www.abbank.vn](http://www.abbank.vn).

4. **Results of supervision of the Chief Executive Officer and the Board of Management**

4. 1. Regarding the completion of the financial targets assigned by the General Meeting of Shareholders, the Board of Directors: The CEO has closely directed the Bank's operations, assigned specific action plans for every month, reviewed the portfolio of products focus on key products and services that bring high efficiency, propose solutions to overcome limitations, control safety ratios, ensure the progress of the plan implementation and completed the profit target assigned by the General Meeting of Shareholders and the important business plan targets of the whole Bank. The Board of Management also promoted business units to act as profit centers, increasing the proportion of profit contributions of business units in the total profit of the whole system and the number of business units which incurred losses have decreased. The credit quality control and the debt settlement were well implemented.
4. 2. In 2020, the CEO reasonably assigned tasks to the members of the BOM, with alternating inheritance in accordance with leadership capacity and business performance.
4. 3. The Board of Management has done a good job in developing the Mid-term Strategic Plan and Business Plan for 2021; concurrently prepared for the implementation of a number of important projects in the coming time.
4. 4. The Board of Management needs to improve human resource management capacity, build a succession team and a more effective training plan.

## II. ORIENTATION FOR 2021'S ACTIVITIES

### 1. Target plan for the year 2021

- Total assets: VND120,217 billion.

- Deposit from customers (not including international institutions): VND85,794 billion.
  - Credit balance is VND81,655 billion (*Based on credit room approved by the State Bank of Vietnam for each period*).
  - Profit before tax reached VND1,973 billion.
- (Details are presented in the report of the CEO)

The key mission of ABBANK in 2021 and the medium-term orientation to the end of 2025 is to improve service capacity, develop specialized products and master mass products to increase the number of customers using products and services at ABBANK, ensuring asset quality and proactively preventing risks for sustainable growth; proactively responding to risky situations such as crises, epidemics, and natural disasters; bring into full play the effectiveness of bad debt collection achieved in recent years, enhance the image of the Bank and achieve the set financial targets.

## 2. Corporate Governance

The Board of Directors activities plan in 2021 will focus on the following main contents:

- Regularly direct, supervise and support the Board of Management in successfully implementing the 2021 plan targets assigned by the General Meeting of Shareholders in the following directions:
  - Sustainable, efficient and safe growth from the core operations of the Bank.
  - Business unit is the center of profit. Replication of typical good business units creating breakthrough effects; striving for effective operation of the business units, for the purpose of no longer loss business units.
  - Efficiency is the priority criterion in the evaluation. Job performance is used as a criterion to evaluate the recruitment, use and treatment of staff to attract qualified and enthusiastic personnel.
  - Reform the credit appraisal process towards credit appraisal and approval team, credit secretary qualifies to professional competence; internal process and procedures simplify, shorten credit processing time.



- Complete and synchronize the internal governance framework in accordance with the Law on Enterprises 2020, Law on Securities 2019 and legal documents of the Government, the State Bank and the Ministry of Finance; update corporate governance rules according to international practices (applicable to large-scale public companies, including the new Charter, Internal Management Regulations, Regulations on Board of Directors' operation, Regulations on Information Disclosure). Take measures to overcome the shortcomings and improve corporate governance capacity at ABBANK as recommended by the International Finance Corporation.
- Develop succession plans for senior leadership positions and provide additional training in administration and management skills for leaders of ABBANK.
- Direct the implementation of the Mid-term Plan 2021-2025; directing the CEO to develop strategic plans on personnel, IT and capital source to synchronize with medium-term strategic plan and strategic projects.
- Review and evaluate the implementation of the Restructuring Plan associated with bad debt handling in the 2016 - 2020 period; directing the development of the Restructuring Plan for the period 2021 - 2025 in accordance with the Strategic Plan 2021 - 2025 and the instructions and directions from the State Bank of Vietnam.

### **3. Proposal to authorize the Board of Directors to resolve issues arising in the period between two meeting sessions**

In order to proactively solve arising problems (if any) in the period between the two General Meeting of Shareholders, the Board of Directors proposes to the General Meeting of Shareholders for approval:

- a) Authorizing the Board of Directors to decide on supplementing additional business lines in accordance with the Bank's business strategy and aligning with the business plan approved by the General Meeting of Shareholders; carry out the procedures and dossiers for additional updating of business lines in accordance with the provisions of law;
- b) Authorize the Board of Directors to review and adjust the business plan in accordance with the actual situation and direction of state authorities;

- c) Authorizing the Board of Directors to decide on listing ABBANK shares (Stock ticker: ABB).

The Board of Directors is responsible for reporting the results of implementing the above contents (if any) to the General Meeting of Shareholders at the nearest meeting.

Respectfully submitted to the General Meeting of Shareholders for approval of this report and assign the Board of Directors to direct and organize the implementation.

**ON BEHALF OF THE BOARD OF DIRECTORS  
CHAIRMAN  
(Signed)**

**Dao Manh Khang**