

**VIETNAM JOINT STOCK COMMERCIAL
BANK FOR INDUSTRY AND TRADE**

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

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REPORT
ON THE OPERATION RESULTS OF THE SUPERVISORY BOARD IN 2015

Pursuant to:

- *The Law on Credit Institution No. 47/2010/QH12 dated 16th June 2010 and other implementation guidance documents;*
- *The Circular No. 121/2012/TT-BTC dated 26th July 2012 of the Ministry of Finance providing for regulations of corporate governance applicable to public companies;*
- *The Charter on Organization and Operation of Vietnam Joint Stock Commercial Bank for Industry and Trade;*
- *Functions and responsibilities of the Supervisory Board stipulated in Regulation on the Organization and Operation of the Supervisory Board of Vietnam Joint Stock Commercial Bank for Industry and Trade issued under Decision No.058/2014/ QĐ-BKS-NHCT43 dated 19th September 2014;*
- *The consolidated financial statements in 2015 of VietinBank audited by Deloitte Vietnam Ltd Company;*

The Supervisory Board would like to report to the Annual General Meeting of Shareholders (“AGM”) of Vietnam Joint Stock Commercial Bank for Industry and Trade (“VietinBank”) on the activities and results of the implementation of responsibilities and rights assigned to the Supervisory Board in 2015 as follows:

I. THE OPERATION OF THE SUPERVISORY BOARD IN 2015

1. The Staffing of the Supervisory Board

In 2015, there were some changes in terms of human resources of the Supervisory Board. In particular:

- At the Annual General Meeting of Shareholders in 2015 on 14th April 2015, the AGM dismissed a member of the Supervisory Board and elected 3 other members. The total number of members of the Supervisory Board are 5 people, including 4 full-time members and 1 member who concurrently holds another position.
- After the end of the AGM, the Supervisory Board had already held a meeting to elect the Head of the Supervisory Board as regulated and assigned the responsibilities to members in

accordance with the Regulation on Organization and Operation of the Supervisory Board, ensuring the continuity and stability in operation of the Supervisory Board.

2. Major activities of the Supervisory Board

During the year of 2015, the Supervisory Board and relevant departments/units under it have implemented the functions and responsibilities as regulated in the Charter on Organization and Operation of the Bank (Charter) as well as the operational directions of the Supervisory Board approved by the AGM in 2015, including key contents as follows:

- Supervising the business activities and the compliance with provisions of the laws and the Charter in terms of corporate governance and banking management; the implementation of the Resolution of the AGM;
- Performing the appraisal of the semi-annual financial statements and the annual financial statements of the year 2015 which were independently audited by the Deloitte Vietnam Ltd;
- Creating, archiving and updating the lists of related persons;
- Providing directions, governing and supervising the operation of the Internal Audit System;
- Some other missions arising during the year;

The Supervisory Board organized monthly meetings with the participation of all members of the Supervisory Board, the assistance team and the managers of the Internal Audit team to arrange for and implement activities. In these meetings, the Supervisory Board listened to the reports and discussed the business performance, management and governance of the Bank through the supervision and audit results of the members of the Supervisory Board and Internal Audit team, developed detailed work plans to assign to members of the Supervisory Board and Internal Audit team, reviewed and evaluated the results of work implementation. The results of the Supervisory Board's meetings were announced in writing to each member and responsible departments, opinions of the Supervisory Board were all delivered to the Board of Directors and the Board of Management of the Bank through reports and opinions raised in meetings of the BOD and direct written proposal documents.

The collaboration for work handling among the Supervisory Board, the Board of Directors, the Board of Management was maintained smooth and in line with regulations of the Laws, the Charter and Internal Regulations of VietinBank.

In 2015, the Supervisory Board did not receive any requests from shareholders or the group of shareholders for the revision of the accounting books, other materials or request on checking the business activities, management and governance of VietinBank.

II. RESULTS ON THE IMPLEMENTATION OF DETAILED MISSIONS

- 1. The results on the supervision of business results, the compliance with regulations on the Laws and Charter in corporate governance, banking management and the implementation of the Resolution of the AGM.**

The Supervisory Board has performed its supervision responsibilities through: (i) participating and giving opinions in meetings of the Board of Directors (“BOD”), meetings of Board of Management (“BOM”); (ii) reviewing the written policies issued by the BOD and the General Directors; reviewing Resolutions, Decisions of the BOD sent to the Supervisory Board; (iii) reviewing supervisory reports, audit reports of the Internal Audit team.

- i. Participating and giving opinions in meetings of the BOD, the BOM:* During the year of 2015, either on a monthly or ad-hoc basis, the representatives of the Supervisory Board attended all meetings of the Board of Directors and monthly meetings of the Board of Management in order to obtain information. In these meetings, the representatives from the Supervisory Board shared opinions, discussed and presented objectives and gave independent opinions on existing issues and potential risks in the business activities of VietinBank and made recommendations to the Board of Director and the General Director.
- ii. Reviewing the policies and documents and reviewing Resolutions/Decisions of the BOD:* In 2015, the Supervisory Board assigned members of the Supervisory Board to review the written policies issued by the BOD and the General Director and to revise the Resolutions/Decisions by the BOD sent to the Supervisory Board. Through the process of reviewing, the Supervisory Board has realized that basically, written policies, resolutions/decisions of the BOD are appropriate in accordance with the regulations of the laws, the Charter of VietinBank, satisfying the needs of corporate governance and banking management in accordance with the missions assigned by the BOD.
- iii. Reviewing supervisory reports and audit reports of the Internal Audit team:* On the basis of the monthly supervisory reports on key business activities of VietinBank and reports of each internal audit conducted in units on a scheduled or unscheduled basis, issues identified through the supervision and audit, proposals, recommendations of the Internal Audit team were all gathered into reports sent to the BOD at regular meetings and included in written documents directly proposed to the Chairman of BOD and the General Director.

The supervision activities were conducted on a frequent and systematic basis from the Head Office to branches and subsidiaries, with the main focus was to the supervision of corporate governance, banking management, risk management in major activities of the Bank or potentially risky business segments, the supervision and evaluation of the performance and compliance with regulations on prudent ratios of the Bank in accordance with provisions of the Laws on Credit Institution. The results of the supervision activities of the Supervisory Board have revealed that the actions undertaken by the BOD and BOM of VietinBank in general have been in line with directions of the Government, the State Bank of Vietnam (“the SBV”) and compliant with provisions of the Laws, the Charter and Internal Regulations of VietinBank, and for the accomplishment of the targets and missions assigned by the AGM according to the Resolution of the 2015 AGM of VietinBank, for the benefits of VietinBank shareholders through the development of detailed action plans in order to achieve set up targets, in particular:

- *Regarding business activities in 2015:* some key targets exceeded the plan assigned by the AGM: the total assets reached 779 trillion dong, equal to 104.5% of the AGM plan; the mobilized and borrowed funds amounted to 712 trillion dong, equal to 105.3% as compared to the plan assigned by the AGM; the credit exposure achieved 677 trillion dong, equal to 110.4% compared to the plan of the AGM; The profit before tax was 7,345 billion dong, equal to 100.6% of the AGM plan. Besides, VietinBank has always been monitoring and supervising closely the prudent ratios according to the SBV's regulations. The supervision results have indicated that the prudent ratios of VietinBank have always been compliant with regulations of the SBV. Through the supervision results, the Supervisory Board has pointed out some remaining issues, potential risks within the business activities of VietinBank or the growth trends which did not fit the directions which were given earlier or at monthly meetings of BOD or on unscheduled basis, thereby timely making recommendations and alerts to the BOD and the BOM by presenting direct opinions in meetings and/or reports of the Supervisory Board. The opinions of the Supervisory Board were acknowledged by the BOM and BOD and relevant units were timely directed to propose measures and appropriate actions to limit and eliminate risks, ensuring the safe, efficient operation of the VietinBank system in accordance with the laws.
- *Some other contents which were approved in the Resolution of the 2015 AGM:*
- + At **Article 6:** The remuneration for the BOD and the Supervisory Board in 2015 was 20.478 billion dong, equal to 0.36% of the profit after tax in 2015, in good compliance with the Resolution of the AGM in 2015;
- + At **Article 7:** The BOD has accomplished the task assigned by the AGM. In accordance with the Announcement No.569/TB-SGDHCM dated 22nd May 2015 of HOSE, VietinBank has completed relevant procedures to list 2,400,204,956 shares of VietinBank held by the State in HOSE in accordance with regulations.
- + At **Article 8:** The merger transaction of PG Bank into VietinBank: in conducting the assigned and authorized mission of the AGM, the BOD took a pro-active role, constantly monitored and directed the BOM to take initiatives in implementing related work and other necessary procedures in accordance with the requirements and guidance of the competent authorities for soon completion of the transaction. Currently, VietinBank has completed the adjustment, supplementation, updates of the merger documents and submitted to the competent authorities as requested; and is waiting for the official approval of the competent authorities in accordance with regulations.
- + At **Article 9:** The BOD has completed the task of arrangement of making adjustment and supplementation to the Charter of VietinBank as authorized by AGM and confirmed by the SBV in the Official Letter No.3617/NHNN-TTGSNH dated 22nd May 2015 upon the registration of the Charter of VietinBank.

2. The results of the appraisal of financial statements:

In order to implement the functions and responsibilities as prescribed in the Regulation on the organization and operation of the Supervisory Board, the appraisal team was established to conduct the appraisal of financial statements in 2015 of VietinBank on the basis of the financial statements independently audited by Deloitte Vietnam Ltd, including the separate and consolidated reports¹ and confirming the detailed results as follows:

- The consolidated financial statements fully reflected the business performance and financial situation of VietinBank and subsidiaries, presented in accordance with regulations in Decision No.16/2007/QD-NHNN dated April 18th 2007 of the SBV on the mechanism of financial reporting for credit institutions and Circulars on amendment and supplement in compliance with the Vietnamese Accounting Standards and other existing regulations.
- The consolidated financial reports in 2015 were the true reflection on material aspects of the financial situation of VietinBank and its subsidiaries as at December 31st 2015, as well as the consolidated business performance in 2015.

Some key financial targets (in billion dong):

No.	Indicator	Actual result in 2015	Actual result in 2014 (adjusted figures)	% increase against 2014	Targets of 2015 AGM	% in comparison with the 2015 AGM targets
1	Total assets	779,483	661,242	17.9%	746,000	104.5%
2	Total mobilized funds	711,785	595,096	19.6%	676,000	105.3%
3	Credit exposure	676,688	542,674	24.7%	613,000	110.4%
4	Profit before Tax	7,345	7,303	0.6%	7,300	100.6%
5	Owners' Equity	56,110	55,259	1.5%	58,883	95.3%
6	NPL/Credit exposure	0.73%	0.90%		<3%	Achieved

(Source: The audited consolidated financial statements in 2015)

3. The preparation, archiving and updating of the list of related persons

On the basis of coordination and exchange of information with the relevant department which is the VietinBank's Secretary Office to the BOD, the Supervisory Board, on a regular basis, has prepared, archived and updated the list of related persons of members of the BOD, Supervisory Board, BOM and shareholders holding at least 05% (five percent) of the shares with voting right in VietinBank according to the current regulation. The supervision and monitoring results have shown that: In comparison with 2014, the list of related persons saw some changes due to the adjustments of members of the Supervisory Board and BOM of

¹ Including the following subsidiaries: Leasing Company, Insurance Company, Assets Management and Exploitation Company, Securities Company, Fund Management Company, Global Remittance Company, Gold And Jewelry Company, VietinBank Lao Subsidiary.

VietinBank and the Supervisory Board have timely updated the list and kept them in adequate manner.

4. The direction and supervision of activities of the Internal Audit Team

In 2015, the Supervisory Board regularly directed the Internal Audit Team to carry out activities based on its functions and responsibilities as stipulated by the State Bank of Vietnam and VietinBank, to perform internal audit plan which was approved by the Supervisory Board. At the same time, the Supervisory Board also monitored, supervised and evaluated the results of the implementation at regular meetings of the Supervisory Board and of the reports prepared by the Internal Audit Team. The performance of the Internal Audit Team in 2015 was reflected through the work below:

4.1. Completion of the internal audit plan in 2015 which was approved by the Head of the Supervisory Board on the basis of agreement with the Chairman and discussion with the General Director

By the end of 2015, the Internal Audit team had implemented a total number of 50 internal audits at 42 branches and units (30 comprehensive audit groups, 12 specialized audit groups on some operations, credit activities, accounting); 08 audit groups to review other activities. The internal audit team also reviewed and checked settlement records of some investment projects in capital construction and procurement of fixed assets as assigned by the Board of Directors of VietinBank. Basically, the Internal Audit Team has fully implemented its audit functions and responsibilities as stipulated in the Circular 44/2011/TT-NHNN of the SBV on the regulations on the internal control system and internal audit of credit institutions and internal regulations of VietinBank. The results of direct internal audits in units regarding bank-wide operations have shown that: the Internal Audit Team has not detected any serious and systematic violations and errors but rather some violations and errors in some units and operations. Based on the results of internal audit, the Supervisory Board have made written recommendations for each specific unit/operation, and then submitted to the Management Team for corrective measures, timely direction and reinforcement of supervision and management measures, in order to prevent and mitigate risks. The BOD and BOM have recognized such recommendations of the Internal Audit Team and directed relevant units to arrange the implementation, thereby contributing to improvement of the quality, safety and efficiency of VietinBank system.

From the results of internal audits and coordination activities of external inspection, audit in VietinBank in 2015, the Internal Audit Team has evaluated the adequacy, enforcement and effectiveness of VietinBank Internal control system. Basically, the Internal control system of VietinBank has been developed and organized for implementation in accordance with regulations of the SBV, ensuring the prompt prevention, detection and addressing of primary and material risks of VietinBank. Besides, VietinBank has pro-actively researched, developed

policies, regulations and procedures, supporting tools to improve the efficiency of risk prevention, detection and settlement, to take further steps towards international standards and practices. However, within the internal control system, there still existed some weaknesses and limitations that require correction, improvement and completion in terms of internal policy documents system, organizational structure, IT system, etc. The Internal Audit team and Supervisory Board have reported these existing weaknesses and limitations, proposing appropriate and specific measures to the BOD and the BOM for consideration and direction for the purpose of reinforcing, completing, enhancing the enforcement and effectiveness of the internal control system.

4.2. Completing regulations, procedures, models and organizational structure of the Internal Audit Team based on international practice and in accordance with the operational characteristics of VietinBank

In 2015, under the direction of the Supervisory Board, the Internal Audit Team has collaborated with a number of relevant departments to complete the research of the three lines of defense model in risk management of VietinBank. On that basis, taking the role of line 3, the Internal Audit Team continued to research and improve regulations and complete procedures related to internal audit activities, namely the audit procedures, regulation on organization and operation of the internal audit system; proactively finalized step by step the organizational structure under the new model, regrouped into different operational teams and allocated more to the management team of the Internal Audit Team in terms of personnel. Audit method has also been changed according to the new approach: the audit plan was developed based on risk orientation, audit activities were implemented vertically along with primary business lines and operations of VietinBank. All of these changes serve the purpose of improving the operational efficiency of the Internal Audit Team, ensuring compliance with functions and missions stipulated in the internal documents, legal provisions, and gradually approaching international best practices.

In general, under the direction of the Supervisory Board, the internal audit activities in 2015 have seen plenty of transformations. The Internal Audit Team has well completed its assigned functions, responsibilities and received high recognition from the BOD and the BOM. In 2015, the internal audit system was evaluated excellent performance by the Management Team of VietinBank.

5. Other responsibilities

In 2015, in addition to performing the functions and main responsibilities as prescribed by the Charter and internal regulations, the Supervisory Board and the Internal audit team have also implemented and completed the work of coordination and supporting the activities of external audit and inspection units; settling letters of complaints and denunciations, as follows:

- i. Regarding the operation of independent auditor:* The Supervisory Board has regularly directed and urged the Internal audit team to perform its role as the focal point of cooperation and coordination of activities among departments/units within VietinBank system with the independent auditors, promptly handled the comments from the Auditor, supported the independent audit activities so that these activities were conducted smoothly and seamlessly and the audited financial statements were issued and published on time in compliance with the laws.
- ii. Regarding the audit and inspection of competent agencies:* The Supervisory Board has directly given directions to the Internal audit team to act as the focal point in coordination among other departments/ units at Head Office as well as branches in order to provide records, documents, explanations and reports as requested by the audit and inspection teams at VietinBank, performing the required responsibilities of the subject to inspections and audits in accordance with the laws. Based on the research and reviewing of conclusions and recommendations of the audit and inspection teams at VietinBank system, the Supervisory Board has directly proposed to the BOD and BOM to direct, urge and correct relevant Divisions/Departments/Branches after the inspection and audit. The Internal audit team have monitored, inspected, reviewed and archived records and documents related to the implementation of Inspection conclusions and Audit reports; and collected implementation results of VietinBank to submit to competent authorities according to current regulations.
- iii. Regarding the settlement of complaints and denunciations:* In 2015, the Supervisory Board received a number of complaints and denunciations in relation to some activities and managers of VietinBank. Based on the specific contents stated in each letter, the Supervisory Board has actively forwarded these complaints and denunciations to the BOM for directions of handling and reporting according to provisions of the laws and internal regulations of VietinBank. Besides, for some specific cases required by the BOD, the Supervisory Board also directed the Internal audit team to coordinate with other related departments/units to establish groups/teams for the purpose of checking and verifying contents of the complaints and denunciations, submitting these results and recommendations to the BOD and General Director for directions for implementation.

III. ORIENTATION FOR THE OPERATION OF THE SUPERVISORY BOARD IN 2016

In 2015, in general, the Supervisory Board has performed adequately its functions and responsibilities stipulated in the Charter, regulation on organization and operation of the Supervisory Board. The BOD and General Director have acknowledged the opinions of the Supervisory Board and given directions for implementation and ensuring safe, efficient, and compliance of the business activities of VietinBank, in line with the orientations and targets set

by the AGM of VietinBank. In 2016, based on the situation of human resources and business plan, operational strategies of VietinBank, the Supervisory Board defines that its operation shall focus on several main duties, as follows:

- 1. Continuing to strengthen the HR and operation of the Internal Audit team:** As of now, the sufficiency of the HR of the Internal audit team cannot be guaranteed since in 2015, many officers/ managers were transferred to other positions upon the rotation scheme of the BOD, or per the request of the SBV to allocate personnel to take part in Monitoring teams/Special Supervisory boards in some poorly-performed commercial banks. Besides, in 2016, the Internal audit team will alter its audit methods, gradually professionalizing functional units, implementing centralized audits on some operations on a vertical basis throughout the entire system. Methodologies in the development and transformation of the internal control system will also be strengthened in line with international best practice and recommendations of Basel II. Therefore, one of the key duties of the Supervisory Board in 2016 is to continue to reinforce human resources, perfect the system and the organizational structure of the Internal audit team as well as internal audit policies to boost both the quality and efficiency of the team.
- 2. Continuing to implement functions and responsibilities of the Supervisory Board as stipulated in VietinBank's Charter and Regulation of the Supervisory Board:** Supervising the implementation of Resolutions of the General Meeting of Shareholders; Supervising business activities and compliance with the legal provisions and the Charter on corporate governance and banking management of the BOD, General Director and other managers; Directing, managing and supervising activities of the Internal audit team, ensuring the achievement of the approved audit plan for 2016; Appraising the financial statements of 2016; Establishing, archiving and updating the list of related persons;
- 3. Performing other responsibilities** based on the decision of the Annual General Meeting, regulations of the Charter of VietinBank and provisions of the law.

IV. PROPOSALS

Based on the monitoring results of business activities, corporate governance and banking management of the BOD and General Director as well as the figures on the 2015 financial statements, the Supervisory Board would like to propose to the Annual General Meeting of Shareholders for:

- Approval of the VietinBank's Consolidated Financial Statements of the year 2015 which was independently audited by Deloitte Vietnam Ltd. and appraised and reviewed by the Supervisory Board;
- Approval of the Report of the BOD regarding the corporate governance and activities of the BOD in 2015;

- Approval of the Report of the Supervisory Board regarding the operation result of the Supervisory Board in 2015;

**ON BEHALF OF THE SUPERVISORY BOARD
HEAD OF THE BOARD**

(Signed and Sealed)

Nguyen The Huan