

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

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SOCIALIST REPUBLIC OF VIETNAM
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SUPERVISORY BOARD REPORT
2018 PERFORMANCE AND
2019 OPERATIONAL ORIENTATION

Pursuant to:

- *The Law on Credit Institutions 2010; the Law amending and supplementing the Law on Credit Institutions 2017 and documents guiding the implementation;*
- *The Decree No. 71/2017/NĐ-CP dated 06/06/2017 of the Government providing guidelines on corporate governance applicable to public companies;*
- *The Regulation on the organization and operation of Vietnam Joint Stock Commercial Bank for Industry and Trade; the Regulation on organization and operation of the Supervisory Board adopted by the General Meeting of Shareholders and issued by the Supervisory Board according to Decision No. 008/2018/QĐ-BKS-NHCT43 dated 26/04/2018;*
- *The VietinBank's consolidated 2018 financial statements audited by Ernst & Young Vietnam Limited Company;*

The Supervisory Board would like to report to the General Meeting of Shareholders (GMS) of Vietnam Joint Stock Commercial Bank for Industry and Trade (“**VietinBank**”) the performance results of execution of its duties and powers in 2018 and operational orientation for 2019 as follows:

I. OPERATIONAL STATUS OF THE SUPERVISORY BOARD

In 2018, the number of members of the Supervisory Board were 4, comprising of 03 full-time members and 01 member concurrently held another position. From 08/12/2018, the Supervisory Board has 3 members left due to the retirement of a full-time member according to the regime and dismissal by the General Meeting of Shareholders (GMS) under Resolution No. 19/NQ-DHDC dated 08/12/2018.

In 2018, the Supervisory Board has performed functions and tasks as stipulated in the Law on Credit Institutions, the Charter on organization and operation of VietinBank (Charter), the Regulation on organization and operation of the Supervisory Board as well as the operational orientation of the Supervisory Board for 2018 which was approved by the 2018 GMS, specifically:

- i) Supervising the business activities and the compliance with provisions of the laws and the Charter on corporate governance and banking management; the implementation of the Resolution of the GMS;
- ii) Performing the appraisal of financial statement (FS)s for 2018 (including the semi-annual and the annual financial statements) of VietinBank which were independently audited by Ernst & Young Vietnam Limited Company;
- iii) Preparing, archiving and updating the lists of founding shareholders, major shareholders and related persons of Members of the Board of Directors (BOD), Supervisory Board and the Board of Management of VietinBank;
- iv) Providing directions, governing and supervising the operation of the Internal Audit body;
- v) Some other tasks arising during the year.

On a monthly basis, the Supervisory Board held meetings with Internal Audit body to discuss and provide opinions on issues related to business, governance and management operations detected through the supervisory and auditing process of members of the Supervisory Board and Internal Audit body. The Supervisory Board also assessed its own performance of the assigned tasks and set out detailed monthly working program and assigned to each member of the Supervisory Board and the Internal Audit body for implementation.

All meetings of the Supervisory Board were recorded in writing and notified to each member and unit under its management. Opinions of the Supervisory Board were delivered to the Board of Directors (BOD) and the Board of Management (BOM) through monthly monitoring reports, comments at the meetings of the BOD and written recommendations.

The coordination mechanism among the Supervisory Board, the BOD and the BOM was basically implemented in accordance with the provisions of Law, Charter and internal regulations of VietinBank.

In 2018, the Supervisory Board has not received any request from any shareholder or group of shareholders regarding the review of accounting records, documents or inspection request related to business and management activities of VietinBank.

II. IMPLEMENTATION RESULTS OF SOME SPECIFIC TASKS

1. The supervision of business activities, the compliance with the provisions of Law and Charter in the management, governance of the Bank and the implementation of resolutions of GMS

Supervision has been carried out on a regular and continuous basis by the Supervisory Board through the specific activities as follows:

- a. Supervising the business situation of VietinBank and the implementation of resolutions of the GMS:

In 2018, through the internal management reports of VietinBank and independent reports of members of the Supervisory Board and Internal Audit body, the Supervisory Board regularly and

continuously carried out the supervision of VietinBank's business operations. On a monthly or ad-hoc basis, the representative of the Supervisory Board attended all meetings of the BOD and of the BOM to grasp and exchange information, discuss and raise independent opinions about the existence, limitations and risks in the operation of VietinBank and provide specific recommendations for the BOD and the General Director (CEO). In all monthly BOD's meeting, the Supervisory Board had independent supervision reports prepared and provided to the BOD.

i) Business results in 2018

In 2018, VietinBank achieved overachieved almost all targets set by the GMS, particularly: Total assets reached VND 1.164 trillion, rising by 6.3% compared with the year-start and achieving the target assigned by the GMS (6%-8% increase); Total fund mobilized from economic entities and citizens amounted to VND 826 trillion, increasing by 9.7% compared with the year-start and achieving the target assigned by the GMS (9%-10% increase); Credit exposure¹ amounted to VND 888 trillion, rising by 6.1% compared with the year-start, underachieved compared with the target set by the GMS (8%-9% increase); NPL/credit exposure ratio was curbed at 1.6%, achieving the target assigned by GMS (<3%).

Regarding prudent ratios in banking operations, through periodical review of the Internal Control body, the Supervisory Board found that in 2018, VietinBank maintained these ratios in compliance with the regulations of the State Bank of Vietnam (SBV). By the end of 2018, CAR of VietinBank was in line with the plan approved by the 2018 Annual GMS and complied with the SBV's provision.

In addition, through regular monitoring during the year, the Supervisory Board also mentioned a number of existing issues, implicit risks in business activities, inappropriate growth trends or issues with potential risks in governance and management activities of VietinBank. The Supervisory Board also gave recommendations to the BOD and BOM. Opinions of the Supervisory Board have been acknowledged by the BOD and BOM; and relevant units have been directed to take appropriate measures and actions to limit and mitigate risks and ensure that all VietinBank's activities are always aiming for safety, efficiency and compliance with provisions of law and resolutions of GMS.

ii) Regarding some other contents approved by the Annual and Extraordinary General Meetings of Shareholders in 2018 in accordance with the Resolution No. 18/NQ-ĐHĐCĐ dated 21/04/2018 and Resolution No. 19/NQ-ĐHĐCĐ dated 08/12/2018:

Profit distribution in 2017 (**Article 2 of Resolution No. 19/NQ-ĐHĐCĐ**): *In implementation of the Resolution of the GMS on the 2017 profit distribution, VietinBank has appropriated funds according to contents approved by the GMS.*

¹ Credit exposure is calculated according to Official dispatch No. 1077/NHNN-CSTT dated 13/02/2018

Remuneration for the BOD and the Supervisory Board (**Article 4 of Resolution 18/NQ-ĐHĐCĐ**): *The remuneration for the BOD and the Supervisory Board in 2018 was equal to 0.38% of the profit after tax in 2018, in accordance with the GMS's resolution;*

VietinBank Tower Project restructure plan (**Article 3 of Resolution No. 19/NQ-ĐHĐCĐ**): *The BOD and the BOM have actively and constantly giving directives for the implementation of the handling plans in accordance with the proposal on Vietinbank Tower Project restructure plan approved by the GMS.*

b. Review of documents and policies, Resolutions/Decisions of the BOD and the General Director:

The Supervisory Board has reviewed internal documents and policies issued by the BOD, the General Director and Resolutions/Decisions of the BOD sent to the Supervisory Board as well as approved reports from periodic and adhoc internal supervision and audit activities of the Internal Control body. Through the review, the Supervisory Board found that the documents and policies, Resolutions/Decisions of the BOD and the General Director fundamentally complied with the provisions of Law, of VietinBank's Charter and met the Bank's governance and management requirements as determined by the GMS. As to some shortcomings and limits that need reviewing and correcting, the Supervisory Board has proposed in writing to the Chairman and the General Director to direct relevant departments for implementation.

c. Review of monitoring and audit reports of the Internal Audit body:

Based on reports on results of periodic internal audits and each internal audit at specific unit in the system of the Internal Audit body, issues detected through auditing together with recommendations and proposals of the Internal Audit body all considered, assessed and reported by the Supervisory Board to the BOD at the regular meetings held in 2018 and included in the written recommendations/proposals sent directly to the BOD Chairman and the General Director.

d. Monitoring the implementation of the Restructuring plan associated with bad debt handling

In 2018, following the directives of the SBV, the BOD and the BOM of VietinBank has completed and submitted to the SBV of the Restructuring plan associated with bad debt handling in the period of 2016-2020 (Restructuring plan). On 27/11/2018, the Governor of the SBV issued Decision No. 2337/QĐ-NHNN approving a number of contents on targets, solutions and actual roadmap of VietinBank's Restructuring plan (Decision 2337) and on 15/12/2018, the BOD of VietinBank issued Resolution No. 456/NQ-HĐQT-NHCT44 (Resolution 456) approving the specific implementation plan of VietinBank and right in December 2018, VietinBank carried out a number of tasks related to debt handling solutions applicable to some large corporate customers in accordance with the approved plan.

As of 31/12/2018, based on Decision 2337 and Resolution 456, VietinBank basically complied with the solutions and roadmap set for 2018 of the Restructuring plan.

Thus, through the monitoring results in 2018, the Supervisory Board found that VietinBank's activities basically followed the orientations and directions of the SBV, especially the proactive implementation of the methods and solutions mapped out in the Restructuring plan approved by the SBV; VietinBank's BOD and BOM have seriously complied with the provisions of Law, Charter and Internal Regulations of VietinBank, aiming at the implementation of tasks and duties assigned by the GMS according to the Resolutions of the GMSs held in 2018, acting upon the interest of VietinBank's shareholders through the development and organization of specific action plans, monitoring and urging the implementation with the ultimate goal of meeting the targets set out by the GMS.

2. Evaluation results of financial statements

In implementation of functions and duties as stipulated in the Charter, Regulation on the organization and operation of the Supervisory Board, the Supervisory Board has established Appraisal Team to evaluate VietinBank's 2018 Financial Statements based on the independent audit of Ernst & Young Vietnam Limited Company (Ltd.), including separated and consolidated² reports and hereby confirms the results as follows:

The consolidated financial statements of the year 2018 fully, honestly and reasonably reflect, in all material aspects, the business performance and financial situation of VietinBank and its subsidiaries, and are presented in accordance with regulations of the SBV on the regime of financial reporting applicable to credit institutions, and in compliance with the Vietnamese Accounting Standards and other existing regulations.

A number of key financial indicators (unit: VND billion)

No.	Indicator	Actual result 2018	Actual result 2017	% growth compared with 2017	2018 GMS target	Compared with 2018 GMS target
1	Total assets	1,164,435	1,095,061	6.3%	Growth by 6%-8%	Achieved
2	Total funds mobilized from economic entities and citizens	825,816	752,935	9.7%	Growth by 9%-10%	Achieved
3	Credit exposure	888,216	837,180	6.1%	Growth by 8%-9%	Underachieved
4	NPL ratio	1.6%	1.13%		<3%	Achieved

²Including subsidiaries: VietinBank Leasing Company; VietinBank Securities JSC; VietinBank Debt Management and Asset Exploitation Company Ltd. VietinBank Insurance Company Ltd.; VietinBank Gold and Jewelry Trading Company Ltd.; VietinBank Global Money Transfer Company Ltd.; VietinBank Laos.

No.	Indicator	Actual result 2018	Actual result 2017	% growth compared with 2017	2018 GMS target	Compared with 2018 GMS target
5	Separated profit before tax	6,365	8,350	-23.8%	6,200	102.7%
6	Consolidated profit before tax	6,730	9,206	-26.9%	6,700	100.4%

(Source: 2017 and 2018 audited separated and consolidated financial statements)

3. On preparing, filing and updating the list of founding shareholders and major shareholders and related persons of Board Members, Members of the Supervisory Board and Board of Management of VietinBank

The preparation, filing and update of the list of related persons of members of the Board of Directors, members of the Supervisory Board and Board of Management and shareholder owning at least 05% (five percent) voting shares of VietinBank have been done periodically as regulated by the Supervisory Board, on the basis of collaboration with the BOD's Secretariat & IR of VietinBank. The tracking and update results showed that in comparison with the year 2017, there are a few changes in the list of related persons of VietinBank in 2018 due to the change in members of the BOD, the BOM and the Supervisory Board. In 2018, a BOD member resigned due to cease to be the representative of the State capital, a BOD member was dismissed for being appointed to the position of Deputy General Director of VietinBank, a BOM member was elected to the position of BOD member and was appointed as General Director, a Supervisory Board's member was dismissed due to retirement according to regime. This list was timely updated and kept as record by the Supervisory Board.

4. On directing and supervising the operation of Internal Audit body

In 2018, the Supervisory Board has regularly given directions and monitored the Internal Audit body in performing internal control activities according to the duties, functions and internal audit plan which had been approved by the Supervisory Board.

The task performing results of the Internal Audit body have been reviewed and evaluated fully and objectively by the Supervisory Board; The recommendations of the Internal Audit body have been fully reported to the Supervisory Board and promptly sent to the BOD, the General Director as well as relevant units.

In 2018, the Internal Audit body has well completed the internal audit plan approved by the Supervisory Board and its performance was evaluated as "Good" by the BOD and the Supervisory Board.

5. Issuance of written documents and policies related to the functions and tasks of the Supervisory Board in compliance with Circular No. 13/2018/TT-NHNN (Circular 13) of

the Governor of the SBV on the internal control system of commercial banks and foreign banks' branches:

The Supervisory Board has drafted and submitted to the GMS for approval of re-promulgating the Regulation on organization and operation of the Supervisory Board to update the new provisions of the law and the Charter, reissuing the Process of organization and conducting audit to standardize and improve the quality of internal audit activities. In addition, the Supervisory Board also directly issued and directed the Internal Audit body to draft and submit to the BOD for newly issuance of policies in accordance with Circular 13 to implement from 2019, including: Regulation on internal audit, Regulation on professional ethical standards of members of the Supervisory Board and internal auditors, Regulation on coordination mechanism between the Supervisory Board and Internal Audit body with the BOD and the General Director, ensuring full compliance with provisions of the SBV.

III. OPERATION ORIENTATION OF THE SUPERVISORY BOARD IN 2019

In 2018, in general, the Supervisory Board has organized properly and comprehensively the duties and functions as prescribed by the Law, the Charter, the Regulation on the Organization and Operation of the Supervisory Board. The opinions and proposals of the Supervisory Board were all acknowledged by the BOD and the General Director, who later directed the implementation to ensure the safety, efficiency, legitimacy of VietinBank's performance and make sure that it would accomplish targets set by the GMS.

In 2019, pursuant to the staffing situation, business plan and operation orientation of VietinBank, the Supervisory Board has identified that its operation shall focus on the below key duties:

1. Closely monitor the implementation of the Restructuring plan of VietinBank which has been approved by the SBV

2019 is a pivotal year for the implementation of the Restructuring plan, thus, the Supervisory Board will focus on directing the Internal Audit body to monitor, supervise and audit the implementation result of the Restructuring plan approved by the SBV according to the plan set by the BOD. Through the monitoring and auditing results of Internal Audit body, the Supervisory Board will monitor the progress and suggest measures for practical and effective implementation of the devised solutions, ensuring the accomplishment of the Restructuring plan's objectives and report the results to the next annual GMS.

2. Focus on strengthening staff and enhancing operational quality of Internal Audit body

In 2019, the Internal Audit body has to carry out 20 audits in respect of 8 operations and 10 large-scaled and key branches of VietinBank according to the approved plan and concurrently, carry out the supervisory operations and monitoring of the executions of post-inspection and post-audit recommendations (both internal and external) and complete other assigned irregular tasks.

To complete the duties assigned in the context of insufficient staff, the strengthening and supplement of staff and performance enhancement of Internal Audit team is identified as one among the key duties in 2019 by the Supervisory Board. Specific solutions are: *i) Continuing to consolidate and strengthen the organizational model of the Internal Audit body towards specialization, ii) Continuing to improve the audit method in the direction of emphasizing practical results, efficiency and resource saving, iii) Improving the internal audit written policy system, iv) Strengthening the human resource quality of Internal Control body, v) Enhancing internal quality assurance.*

3. Continue to carry out the tasks and exercise the power of the Supervisory Board under provisions of the law and VietinBank's internal regulations

In 2019, the Supervisory Board shall continue to carry out the tasks and exercise the power of the Supervisory Board under the provisions of the Law, the Charter, the Regulation on the Organization and Operation of the Supervisory Board and other internal regulations of VietinBank, including key missions such as: *Supervising the business performance and the implementation of the GMS's resolutions; supervise the compliance with the provisions of the law, the Charter, the internal regulations on the governance and management of the bank of the BOD, the General Director and other managers; directing, managing and supervising the operation of Internal Audit team to ensure the appropriate and comprehensive performance of its functions and duties under provisions and the completion of the approved 2019 audit plan; organizing the appraisal of financial statements in 2019; preparing, filing and updating the list of founding shareholders, major shareholders and related persons of Board Members, Members of the Supervisory Board and the BOM of VietinBank.*

4. Other tasks

In addition to the main duties mentioned above, in 2019, the Supervisory Board shall continue carry out other tasks and duties according to the decisions/resolutions of the GMS, the BOD and other relevant provisions of the law.

IV. RECOMMENDATIONS

In supervision of the business activities, governance and management of the Board of Directors and the General Director, as well as data in the 2018 Financial Statements, the Supervisory Board would like to recommend the Board of Directors:

- a. To approve the 2018 Consolidated Financial Statements, which were independently audited by Ernst & Young Vietnam Ltd., and appraised and reviewed by the Supervisory Board;
- b. To approve the Report of the Board of Directors on the operation in 2018 and the development orientation in 2019;
- c. To approve the BOD report concluding the 2017-2019 term and operating directions for 2019-2024 term
- d. To approve the Report of the Board of Management on business performance in 2018, orientation and plan in 2019;

- e. To approve the Report of the Supervisory Board on the performance of the Supervisory Board in 2018 and the operational orientation in 2019.
- f. To approve Report of Supervisory Board concluding 2014 – 2019 term, operating orientation for 2019 – 2024 term

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

(Signed and sealed)

Nguyen The Huan