

**VIETNAM JOINT-STOCK COMMERCIAL  
BANK FOR INDUSTRY AND TRADE**
**SOCIALIST REPUBLIC OF VIETNAM  
Independence – Freedom – Happiness**

108 Trần Hưng Đạo, Hoàn Kiếm, Hanoi  
Tel: 024.39421030; Fax: 024.3921032  
Business license no. 0100111948  
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**REPORT  
ON THE PERFORMANCE OF SUPERVISORY BOARD 2020  
AND ORIENTATION FOR 2021**

Pursuant to:

- *The Law on Credit Institutions 2010; Law amending and supplementing the Law on Credit Institutions 2017 and its guiding documents;*
- *The Decree 71/2017/ND-CP dated June 06, 2017 of the Government guiding corporate governance applicable to public companies;*
- *Charter on the organization and operation of Vietnam Joint Stock Commercial Bank for Industry and Trade;*
- *The Regulation on the organization and operation of the Supervisory Board approved by the General Meeting of Shareholders and issued by the Supervisory Board in accordance with Decision No. 008/2018/QĐ-BKS-NHCT43 dated April 26, 2018;*
- *VietinBank's 2020 consolidated financial statements, independently audited by Ernst & Young Vietnam Co., Ltd.,*

The Supervisory Board hereby reports to the General Meeting of Shareholders (hereinafter referred to as **GMS**) of Vietnam Joint-Stock Commercial Bank for Industry and Trade (hereinafter referred to as **VietinBank**) on the activities and performance of duties assigned to the Supervisory Board in 2020 as well as the orientation for activities in 2021:

**I. PERFORMANCE OF THE SUPERVISORY BOARD**

In 2020, the Supervisory Board has performed the duties and functions as stipulated in the Law on Credit Institutions, the Charter of Vietnam Joint-Stock Commercial Bank for Industry and Trade (the Charter), the Regulation on the organization and operation of the Supervisory Board. The Supervisory Board held monthly meetings with the Internal Audit Department and assisting teams to discuss and give opinions on issues related to business activities, governance and management which were identified through monitoring and auditing process. At the same time, the Supervisory Board also self-evaluated the performance results of assigned duties and set out specific monthly programs, assigned to each member the Supervisory Board, the Internal Audit Department and the assisting team.

All Supervisory Board meetings were recorded in minutes and notified to each attendee of the meeting. The opinions of the Supervisory Board were delivered to the Board of Directors (BoD) and the Board of Management (BoM) through monthly monitoring reports, opinions stated in meetings of the Board of Directors and written recommendations/direct recommendations.

The cooperative relationship between the Supervisory Board with the BoD, the BoM was fundamentally appropriate with the provisions of the Law, the Charter and internal regulations of VietinBank.

In 2020, the Supervisory Board did not receive any request from individual or group of shareholders regarding review of accounting books, records or examination request regarding the business, governance and management of VietinBank.

## **II. SPECIFIC DELIVERY OF A NUMBER OF DUTIES**

### **1. The supervision of business operation, compliance with provision of the Law and Charter in governance and operation of the Bank; the implementation of GMS's resolutions.**

The Supervisory Board has performed the regular supervision through these specific activities:

#### ***a. Supervision of VietinBank's business performance and the implementation of GMS's resolution:***

The Supervisory Board regularly supervises the performance of the implementation of GMS's resolution, participated and stated opinions in the BoD's regular meetings and BoM's periodical meetings. In these BoD, BoM meetings, the Supervisory Board had given its own independent opinions on business performance data (in comparison with GMS's assigned targets); the issues and risks in business operation, the governance of VietinBank, thereby, the Supervisory Board recommended solutions to the BoD and BoM to reach the targets given by the GMS and necessary items to overcome the challenges and issues. Concurrent, as for noteworthy issues or areas requiring strengthened supervision, the Supervisory Board had made very specific recommendations to enhance business performance and ensure secure and sustainable growth. In general, in 2020 the BoD and BoM had directed and orchestrated VietinBank's business performance toward the right purpose, in compliance with the provisions of the Law on Credit Institutions and the Charter of VietinBank regarding governance and operation.

In 2020, despite the heavy impact of Covid-19 pandemic, in addition to taking suitable countermeasures in a timely manner as requested by the Government and the State Bank of Vietnam, VietinBank managed to reach and overachieved the targets given by the GMS, specifically:

Indicator	31/12/2019 (VND billion)	31/12/2020 (VND billion)	Compared with 31/12/2019		2020 GMS target	Compared with 2020 target
			+/-	+/- %		
Credit exposure	953,178	1,027,542	74,364	7.8%	Growth rate of 4% – 8.5%	Achieved
Fund mobilized from economic entities and residents	892,785	990,331	97,546	10.9%	Growth rate of 5% – 10%	Achieved
Separate PBT	11,461	16,449	4,988	43.5%	10,080	163%
Consolidated PBT	11,781	17,085	5,304	45%	10,400	164.3%
NPL/Credit exposure	1.2%	0.9%			<1.5 %	Achieved

As for prudent ratios in banking operations, through periodical examination and review done by Internal Audit, the Supervisory Board reckons that in 2020, VietinBank managed to keep these ratios compliant with the SBV's regulation.

#### 2019 profit distribution:

- Separate profit after tax in 2019: VND 9,283,297 million
- Appropriated for charter capital reserve fund (5%): VND 464,165 million;
- Appropriated for financial reserve fund (10%): VND 928,330 million;
- Appropriated for welfare & bonus funds: 2,142,763 million;
- 2019 cash dividend payout, payout rate of 5% of charter capital;
- Retained earnings after all funds appropriations and cash dividend payout (*will be paid in shares to increase charter capital as stipulated in current regulations*): VND 3,886,336 million.

**Remuneration for the BoD and the Supervisory Board** for 2020 is 0.17% of 2020 Profit after tax, which conforms to Article 4, the GMS's resolution for 2020 no. 21/NQ-GMS dated 23 May 2020 where remuneration for the BoD and the Supervisory Board in 2020 at maximum is 0.31% of 2020 Profit after tax.

In its performance of duties and function, the Supervisory Board organized the examination of 2020 financial statements of VietinBank based on the Financial statements

independently audited by Ernst & Young Vietnam Co., Ltd., including separate and consolidated financial Statements<sup>1</sup> and unanimously verified the following result:

The consolidated financial statements for the year 2020 give a true and fair view, in all materials respects, of the business operation and financial situation of VietinBank and its subsidiaries; are presented in accordance with SBV's regulations on financial reporting regime for credit institutions, in accordance with Vietnamese Accounting Standards and current regulations.

The figures on capital and assets as at 31/12/2020 and VietinBank's consolidated business performance in 2020 are as follows:

No.	Indicator	31/12/2020 (VND billion)
1	Total assets	1,341,436
2	Owners' equity	85,411
3	Net operating profit before provisions	29,232
4	Provision cost	12,147
5	Gross profit before tax	17,085
6	Corporate income tax	3,315
7	Profit after tax	13,757
8	Minority interest	63

*(Source: Audited consolidated financial statements for 2020)*

**b. Review of policy documents and resolutions of the BoD:**

The Supervisory Board had assigned its members to review the Resolutions of the BoD sent to the Supervisory Board, several material policy documents issued by the BoD or General Director which imposed comprehensive effect on the bank's operation. Through this process, the Supervisory Board reckons that, fundamentally these Resolutions of the BoD and policy documents were issued on the basis of compliance with the provisions of the Law and the Charter of VietinBank.

The BoD has directed and implemented 2020 business plan in a manner consistent with economic regulating measures in general and measures applied to the banking sector in particular of the Government and the SBV. Important documents of the State regulatory agencies were all implemented thoroughly by the BoD by informing to subordinates in various means (workshops, documents...). As the last year of the Restructuring Associated with NPL Recovery Plan (RANRP) as well as the 2018-2020 Medium-term Business Plan of

<sup>1</sup>Including the following subsidiaries: VietinBank Leasing Co., Ltd.; VietinBank Insurance (VBI), VietinBank AMC, VietinBank Securities JSC, VietinBank Capital, VietinBank Global Money Transfer Co., Ltd., VietinBank Gold, and VietinBank Laos.

VietinBank, the directing and management strictly went with the solutions and roadmap approved in 2020 played an important role in helping VietinBank achieve impressive business result to set up a firm foundation for the following phase. Business operation was strongly bolstered, and went hand-in-hand with local and sectoral economic activities, leveraged at maximum the opportunities for growth with respect to highly potential industries. Credit operation was oriented towards and focused on the industries prioritized by the Government while asset quality was actively controlled and NPLs and written-off debts recovery were pushed. As at 31/12/2020, NPL ratio of VietinBank is less than 1% and VietinBank had redeemed all VAMC special bond. Under Covid-19's impacts, to strictly perform the Government and SBV's directives, the BoD had timely requested the General Director to assess the impacts of the pandemic to credit portfolio and take countermeasures to minimize NPLs arisen and assist enterprises to resolve difficulties.

The high-level oversight of the BoD over the General Director on internal control, risk management and internal assessment of capital adequacy was established through governance documents, policy documents issued by the BoD, the mechanism for periodic and extraordinary reports and directives to correct the issues and shortcomings at the request and recommendations of the SBV, independent auditors and other competent authorities. The risk management is adequately paid attention to and strengthened. Compliance culture, obligation awareness, sense of compliance with regulations, processes, laws and work ethics were highly regarded. With regard to the internal assessment of capital adequacy, VietinBank has gradually and fundamentally been reaching full compliance with relevant laws.

*c. Data control and results of Internal Audit:*

On the basis of periodic reports and reports on the results of each Internal Audit, the Supervisory Board reviewed and evaluated findings of auditing activities, identified material issues, and conveyed them to the reports delivered to the BoD and General Director at regular meetings.

**2. The results of monitoring the implementation of the Restructuring Associated with NPL Recovery Plan**

Through the monitoring results in 2020, VietinBank's BoD and BoM had rigorously and decisively organized the implementation of all solutions according to the direction given by the SBV regarding the performance of the RANRP, especially in last year of the Plan, special efforts were made to reach the highest completion rate possible. Based on the implementation plan approved by the BoD, the General Director had issued documents directing the implementation of solutions to restructure VietinBank during 2016-2020 period, identified key missions, responsibilities of each unit at the Head Office and branches to ensure the

required roadmap of the restructuring process of the entire VietinBank as directed by the Government and the SBV.

Basically, the BoD and General Director's directives had closely followed the orientations and objectives of RANRP which was approved by the SBV; and concurrently, VietinBank took the initiative to develop the plans and measures to timely finish the plan on schedule. By December 31, 2020, VietinBank has completed most of the targets/requirements as scheduled/in compliance with the requirements of the SBV. Specifically:

- **Improved financial capacity:** increased tier-2 capital through issuance of subordinated bonds; sold subordinated bond investment portfolios (subordinated bonds issued by other CIs); made divestment, reduced the ownership ratio in companies with equity investment by VietinBank.

- **Controlled and improved asset quality:** applied control measures for asset quality, gradually, reduced assets with high risk weight, optimized the efficiency of capital; standardized policies, regulations and procedures of credit granting; developed and implemented credit orientations where encouraged industries were prioritized and control was tightened in highly risky industries; implemented measures to control and prevent NPLs from arising, improved credit risk management efficiency and measures to recover NPLs, written-off debts, debts sold to VAMC or potentially risky loans.

- **Enhanced the efficiency of investment and capital contribution:** Comprehensive monitored subsidiaries' operation through developing business plans of each company with strict control mechanisms and enhanced the role and responsibility of the Capital representatives in the operation of subsidiaries, strictly monitored monthly business activities to identify, evaluate and develop timely countermeasures for risks; enhanced cross-selling of subsidiaries' products, formed joint ventures with customers of VietinBank; promoted portfolio management of subsidiaries, affiliates, and capital contributing units; restructured investment portfolios, divested from non-core sectors; strengthened financial capacity, expanded business lines of subsidiaries; strengthened the management of data and information on operations of subsidiaries and affiliates.

- **Restructured and developed branch network:** developed the scheme to arrange and transform transaction office network among provinces/cities to strengthen and enhance the performance of transaction offices.

- **Transformed business model from credit-reliance to multi-service business model:** transformed from credit monoculture model to diversification of products and services; improved service quality, bolstered hi-tech products and services; reformed sale approach, promoted cross-selling, sales by value chains and supply chains, and product packages; improved the sale capacity and quality of sales teams; promoted marketing operation, brand



development, communication and promotion of products; expanded correspondent relationships with foreign financial institutions, promoted commercial presence in regional and international markets.

- ***Improved governance, operating capacity and transparency in operations:*** adopted a risk management system in accordance with the principles and standards of the Basel Committee; directed the public, transparent and accurate disclosure of information about business strategy, ownership, financial situation, management structure, risk management and corporate governance in compliance with the law and international practices; built long-term business plans and strategies; modernized the technology systems, increased the application of information technology in management; standardized the conditions and standards for key positions.

- ***Improved the efficiency and operating capacity of the audit and internal control function:*** continued to modernize the inspection and supervision support system; refined inspection and audit methods; provided training to improve inspection and audit knowledge and skills; strengthened the coordination among Head Office units in risk-based branch supervision for early detection and proposed appropriate control measures to the critical issues that arose.

- ***Cost management:*** thoroughly implemented the directives regarding operating expenses to the units in the Bank; built measures to strictly control operating expenses; at the same time, reviewed, amended and supplemented internal documents regulating the standardization of the estimation and administration of budget plans of the Bank.

- ***Strict management of capital construction investment:*** was done regularly through checkpoints in regulations and operating process. For VietinBank Tower Project, according to the Resolution of the Extraordinary General Meeting of Shareholder number 19/NQ-DHĐCD dated December 8, 2018, the General Meeting of Shareholders approved the policy of restructuring the VietinBank Tower (Ciputra) investment project with 3 options. Among the 3 options, VietinBank prioritizes the option of transferring the entire assets of the Project and leasing back the 68-floor tower for its working office. After the leasing period, VietinBank will purchase the assets. During the course of seeking partners for the project transfer, VietinBank continued to invest in the project and by November 2020, the Board of Directors of VietinBank had approved the adjustment to the implementation deadline (overall progress) of the project to the end of Quarter II, 2025.

- ***Participated in restructuring weak credit institutions under the direction of the SBV:*** continued to send personnel to support at some weak banks as directed.

- ***Organized the implementation and reported issues and violations under provisions of the Law and the SBV:*** regularly directed, urged and supervised related units and

individuals to comprehensively carry out corrective tasks as scheduled. The roadmap for correction was approved and reported to the SBV regularly; as for incomplete/partially completed recommendations, VietinBank shall continue its efforts to correct and report to the SBV the difficulties and challenges as well as propose a roadmap and implementation measures in the coming time.

For the unfinished items in the scheduled timeline, VietinBank has compiled and reported to the SBV and concurrently analyzed the causes (subjective and objective) and proposed and consulted the SBV on the implementation roadmap and measures to ensure maximum completion according to the approved documents.

### **3. Update the list of founding shareholders, major shareholders and related persons of the Board of Directors, of the Supervisory Board and members of the Board of Management of VietinBank**

The update of the list of related persons of BoD members, members of Supervisory Board, members of BoM and shareholders holding at least 5% (five percent) of shares with voting rights is carried out on a regular basis by the Supervisory Board, with the cooperation and information exchanges with the Secretariat of the BoD & IR. The result of the updates and monitoring shows that, compared to the end of 2019 there have been several changes in the list of VietinBank's related persons in 2020 due to changes of Board members. This list has been promptly updated and archived by Supervisory Board as prescribed.

### **4. High-level direction and supervision over Internal Audit**

In 2020, the Supervisory Board regularly directed and supervised internal audit activities according to the functions, duties and the Internal audit plan as approved. High-level supervision of the internal audit was carried out through the role of the person in charge of the internal audit team, thereby controlling the quality of audit activities, complying with professional ethics standards as well as assessing the strengths and shortcomings of the internal audit to timely draw experiences from each audit squad. In 2020, Internal Audit Department had completed the audits according to the approved plan. In addition to audit squads that performed comprehensive audit at branches, the Supervisory Board directed Internal Audit Department to implement bank-wide thematic audits and from that, recommended (based on audit result) relevant units to improve the efficiency and effectiveness of internal control system, ensure the readiness of Basel II implementation in VietinBank.

The enhancement of internal audit quality is one of the items regularly focused on by the Supervisory Board. The Supervisory Board has directed and oriented internal audit function to reform risk identification method, zoning data to ensure proper focus when performing audit. At the same time, with the innovative application of the mindset of



component-based approach in the internal control system since 2019, the audit results do not only assess the compliance with legal documents, regulations and processes, but also identify and evaluate issues entirely across 3 supervisory components of senior management, internal control, and risk management; thereby, analyzing the nature of the cause of the problem and propose suitable, feasible and highly applicable recommendations.

#### **5. The cooperation between the Supervisory Board and the operation of BoD, BoM and other managers**

The Supervisory Board regularly attended BoD's monthly meetings and BoM's monthly meeting, and also attended as guest in the meeting of BoD's committees, General Director's commissions. The Supervisory Board was provided with relevant information and materials in the management, governance and performance of the bank for the Supervisory Board's purpose of control. The Supervisory Board tightly cooperated with the BoD, BoM and other managers in the performance of its functions and duties, exchange of information based on the principle of compliance with the Law and VietinBank's internal regulations. Based on monitoring result, internal audit function and the Supervisory Board had given recommendations on the measures to enhance supervision, mitigate risk, ensure compliance with the law and internal regulation, thus contributed to the enhancement of quality, efficiency and safety in banking operation. The BoD and the BoM had considered and directed relevant units and individuals to implement the recommendations given by the Supervisory Board.

### **III. OPERATION ORIENTATION FOR 2021**

In 2020, the Supervisory Board in general had managed to duly and comprehensively perform all the functions and duties required by the law, the Charter, the Regulation on the Organization and Operation of the Supervisory Board. The opinions and recommendations of the Supervisory Board were all acknowledged by the BoD and BoM, and the BoD, the BoM directed the implementation to ensure the safe, efficient, lawful business of VietinBank in line with the direction and target approved by the GMS.

2021 is the 1<sup>st</sup> year of 2021 – 2023 Medium term business plan, VietinBank will officially comply with Basel II, accordingly, based on the status of the human resources and strategy, the operating direction of VietinBank, the Supervisory Board determines to focus its operation on the following key missions:

#### **1. Continue to promote high-level supervision over Internal audit**

- Directly supervise internal audits through the role of the person in charge of the Internal Audit squad, thereby controlling the quality of audit activities and evaluating

compliance with professional ethics standards; and concurrently, deploy direct OJT, consulting opinions, orientations to help improve the capacity of internal audit function;

- Direct and supervise the implementation of the annual and irregular internal audit plans, ensure to be on schedule, identify and promptly control issues that have a material impact on banking operations to give recommendations and develop appropriate countermeasures;

- Urge and supervise the correction of shortcomings and issues of internal audit at the request and recommendations by the SBV, independent audit firms and other competent authorities.

## **2. Enhance the capacity and operating quality of internal audit function, focus on strengthening human resources and IT audit capacity**

- Continue to refine audit methods to ensure appropriateness with the business model and Circular 13/2018/TT-NHNN on the internal control system, to be consistent with VietinBank's characteristics; focus on comprehensive evaluation of the internal control system, analyze and summarize the root causes and give recommendations suitably to ensure the comprehensiveness, effectiveness and integrity of the internal control system;

- Focus on strengthening IT audit staff, implement the IT audit staff competence enhancement, carry out IT audit staff competence enhancement project according to roadmap to ensure timely application of the project outcomes and to be up to date with the strong digitalization trend in the coming time.

- Regularly review, assess the competence and skills of staff, strengthen training, ceaselessly improve human resources quality to meet occupational demand and ensure the effectiveness of internal audit.

## **3. Continue to perform the duties and powers of the Supervisory Board in conformity to provisions of the Law and VietinBank's internal regulations**

In 2021, the Supervisory Board will continue to perform the duties and power of the Supervisory Board according to provisions of the Law and VietinBank's internal regulations under the Law, the Charter, the Regulation on the Organization and Operation of the Supervisory Board and other internal regulations of VietinBank, including key duties: supervising business operation and the performance status of GMS's resolutions; supervising the compliance with provisions of the Law, the Charter and internal regulations on the management and governance of the Bank by the BoD, General Director and other managers; directing and supervising the performance of internal audit function to ensure comprehensive performance of duties and function as required, and to ensure the completion of approved 2021 audit plan; reviewing financial statements, evaluation report on BoD's management activities; update the list of founding shareholders, major shareholders and related persons of

BoD members, members of Supervisory Board and members of the Board of Management of VietinBank.

#### **IV. RECOMMENDATIONS**

Based on the results of business operations, governance and management by the BoD and the BoM, figures of the 2020 financial statements, the Supervisory Board proposes the GMS to:

- a. Approve the Consolidated Financial Statements for 2020 of VietinBank, which were independently audited by Ernst & Young Vietnam Co., Ltd. and reviewed and appraised by Supervisory Board;
- b. Approve the report by the Board of Directors on 2020 performance and development orientation for 2021;
- c. Approve the report by the Board of Management on 2020 performance and the orientation and plan for 2021;
- d. Approve the report by the Supervisory Board on the performance of the Supervisory Board in 2020 and orientation for 2021.

**PP. THE SUPERVISORY BOARD  
HEAD OF THE SUPERVISORY BOARD**

**Lê Anh Hà**