

**VIETNAM JSC BANK FOR INDUSTRY
AND TRADE**

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**SOCIALIST REPUBLIC OF VIETNAM
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DRAFT

**REPORT
ON THE PERFORMANCE OF SUPERVISORY BOARD IN 2020
AND OPERATION ORIENTATION FOR 2021**

Pursuant to:

- *Law on Credit Institutions 2010; Law amending and supplementing the Law on Credit Institutions 2017 and its guiding documents;*
- *Decree 71/2017/ND-CP dated 06/06/2017 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/ QD-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 Annual General Meeting of Shareholders (AGM) of Vietnam Joint-Stock Commercial Bank for Industry and Trade (**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 VietinBank (the Charter), the Regulation on the organization and operation of the Supervisory Board. The Supervisory Board holds a monthly meeting with the Internal Audit Department and assisting panel to discuss and give opinions on issues related to business activities, governance and management. Issues were identified through monitoring and auditing process, at the same time, the Supervisory Board also self-evaluates the performance results of assigned duties and sets out a specific monthly program, assigned to each member the Supervisory Board, the Internal Audit Department and the assisting panel. All Supervisory Board meetings were recorded in minutes and notified to

each attendee of the meeting. The opinions of the Supervisory Board are 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 is fundamentally appropriate with the provisions of the Law, the Charter and VietinBank's internal regulation.

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 AGM's resolution.

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

a. Supervision of VietinBank's business performance and the implementation of AGM's resolution:

The Supervisory Board regularly supervises the performance of the implementation of AGM's resolution, participated and stated opinions in the BoD's regular meetings and BoM's periodical meetings. In the BoD, BoM meetings, the Supervisory Board had given its own independent opinions on business performance data (in comparison with AGM's assigned targets); the issues and risks in business operation, the governance of VietinBank. Through that mean, the Supervisory Board recommended the solutions to the BoD and BoM to reach the targets given by the AGM and necessary items to overcome the challenges and issues. Concurrent, as for noteworthy issues or areas needed more supervision, the Supervisory Board had made very specific recommendations to enhance business performance and ensure sustainable, safe 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, VietinBank managed to reach and overachieved the targets given by the AGM, specifically:

Indicator	31/12/2019 (VND billion)	31/12/2020 (VND billion)	Compared with 31/12/2019		2020 AGM 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 fund: 2,142,763 million;
- 2019 cash dividend payout, payout rate of 5% 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 BoD and the Supervisory Board for 2020 is 0.17% of 2020 PAT, which conforms to Article 4, 2020 AGM's Resolution No.21/NQ-AGM dated 23rd May 2020 where remuneration for the BoD and the Supervisory Board in 2020 at maximum is 0.31% of 2020 PAT.

In its performance of duties and function, the Supervisory Board organized the examination of 2020 financial statement of VietinBank based on the FS independently

audited by Ernst & Young Vietnam Co., Ltd., which included separated and consolidated FS¹ and unanimously verified the following result:

The consolidated financial statements for the year 2020 have comprehensively, honestly and reasonably reflected the material aspects of the business operation and financial situation of VietinBank and its subsidiaries; 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 asset	1.341.436
2	Capital and reserves	85.411
3	Net operating profit before provisions	29.232
4	Provisions cost	12.147
5	Gross PBT	17.085
6	Corporate income tax	3.315

b. Review of policy documents, consideration of 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 on 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 general economic regulating measures and measures applied to the banking sector in particular of the Government and the SBV. Important documents of the State regulatory agencies were all been implemented thoroughly by the BoD by informing to subordinates in various means (workshops, documents...) 2020 is the last year of the Restructuring and NPL Recovery Plan (**Restructuring plan**) as well as the 2018-2020 MTBP of VietinBank, the directing and management strictly went with the solutions and roadmap approved. Such 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

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

hand-in-hand with regional and local economic activities, leveraged at maximum the opportunities for growth with respect to highly potential industries. Credit operation was oriented soundly and focused on the industries where the Government prioritized and the control and enhancement of asset were actively implemented and have contributed to NPL and written-off debt recovery. As at 31/12/2020, NPL ratio of VietinBank is less than 1% and VietinBank had repurchased all VAMC special bond. Under Covid-19's impacts, to strictly perform the Government and SBV's directives, the BoD had timely requested the BoD to assess the impacts of the pandemic to credit portfolio and take countermeasures to minimize NPLs arisen and assist companies to resolve difficulties.

Regarding the high-level supervision of the BoD to the CEO on internal control, risk management and internal assessment of capital adequacy expressed 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 audit and other competent authorities: The supervision, risk management is highly regarded 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 issues recorded through 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 Plan associated with NPL recovery

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 Restructuring plan, especially by the end of the year, 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 the implementation organization document of solutions to restructure VietinBank in 2016-2020, identified key missions, responsibilities of each HO unit 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 Restructuring plan, which was approved by the SBV; and concurrently, VietinBank took the initiative to develop the plans and measures to timely finish the plan according to roadmap. As of 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 credit institutions); made divestment, reduced the ownership ratio in companies in which VietinBank contributes capital.

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

- **Enhanced the efficiency of investment and capital contribution:** Comprehensive monitoring of subsidiaries' operation through building business plans of each company with strict control mechanisms and enhancement of the role and responsibility of the Capital representatives in the operation of subsidiaries, strictly monitoring monthly business activities to identify, evaluate and develop timely countermeasures for risks; enhance cross-selling of subsidiaries' products, form joint ventures with customers of VietinBank; promoting portfolio management of subsidiaries, affiliates, and capital contributing units; restructure investment portfolios, divesting from non-core sectors; strengthening financial capacity, expanding business lines of subsidiaries; strengthening the management of data and information on operations of subsidiaries and affiliates.

- **Restructured and developed network system:** developed the scheme to arrange and transform transaction office network among provinces/cities to ensure the strengthening and enhancing transaction office's performance.

- **Transformed business model from dependent on credit activities to multi-service business model:** converted 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 agency

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 units:*** 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 HO 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 costs to the units in the Bank; built measures to strictly manage operating costs; 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.

- ***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 on 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 planned after the inspection and audit as 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, tasks 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 work ethics standards as well as assessing the strength and shortcomings of the Internal Audit to timely draw experience from each audit squad. In 2020, Internal Audit Department complete the audits according to the approved plan. In addition to audit squads that performed comprehensive audit at branches, the Supervisory Board directed internal audit to implement bank-wide thematic audits and from that, recommended (based on audit result) to 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 item regularly focused on by the Supervisory Board. In which, the Supervisory Board has directed and oriented Internal Audit to reform risk identification method, zoning data to ensure proper focus and 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; from there, we can analyze 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 executive 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 executive 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 regulation. Based on monitoring result, IA and the Supervisory Board had given recommendations for 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 AGM.

2021 is the 1st year of 2021 – 2023 MTBP, VietinBank will officially comply with Basel II, accordingly, based on the status of HR and strategy, the operating direction of VietinBank, the Supervisory Board determined 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 work ethics standards; and concurrently, deploy direct OJT, consulting opinions, orientations to help improve the capacity of Internal Audit;

- 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, focus on strengthening HR and IT audit capacity

- Continue to refine audit methods to ensure appropriateness with the business model and Circular No.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 summarise 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 HR 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 central duties: supervising business operation and the performance status of AGM'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 executives; directing and supervising the performance of Internal Audit 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 management; 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, 2020 FS figures, the Supervisory Board proposes to the AGM to:

- a. Approve the Consolidated Financial Statement for 2020 of VietinBank, which was 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 plan for 2021;
- d. Approve the report by the Supervisory Board on the performance of the Supervisory Board in 2020 and operation orientation for 2021.

**On behalf of the Supervisory Board
HEAD OF THE SUPERVISORY BOARD**

Le Anh Ha