

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

**SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness**

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granted on 01/11/2019*

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**REPORT
ON PERFORMANCE IN 2019 AND OPERATIONAL ORIENTATION 2020
OF THE SUPERVISORY BOARD**

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. 008/2019/QĐ-BKS-NHCT43 dated 26/04/2019;*
- *The VietinBank's consolidated 2019 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 2019 and operational orientation for 2020 as follows:

I. OPERATIONAL STATUS OF THE SUPERVISORY BOARD

The Annual GMS in 2019 approved the list of elected members of the Board of Supervisors of VietinBank for the term of 2019-2024, which consists of: Ms. Le Anh Ha, Ms. Nguyen Thi Anh Thu and Mr. Nguyen Manh Toan. On the same day, the Supervisory Board held a meeting and reached consensus on electing Ms. Le Anh Ha as the Head of the Supervisory Board.

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. On a monthly basis, the Supervisory Board held meetings with Internal Audit body and Assistant body to discuss and provide opinions on issues related to and having impacts on business, governance and management operations detected through the supervisory and auditing process. 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, the Internal Audit body and the Assistant body for implementation.

All meetings of the Supervisory Board were recorded in writing and notified to each participating member. 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 2019, 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

The Supervisory Board has carried out the supervision task on a regular and continuous basis through the specific activities as follows:

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

The Supervisory Board regularly monitored the execution of the GMS's resolutions, attended and commented at the regular meetings of the BOD and the BOM. At the BOD and BOM's meetings, the Supervisory Board gave independent opinions and views on business activities (with comparison to the targets assigned by the GMS), shortcomings and risks in VietinBank's business and management activities, from which, made recommendations for the BOD and BOM's directives and management measures for the purposes of overcoming existing issues, limitations, and complete the targets set by the GMS. At the same time, for the issues that

need attention and strengthening control, the Supervisory Board also made specific recommendations to improve operational efficiency, ensure safe and sustainable growth.

In 2019, VietinBank has completed and overachieved almost all targets set by the GMS, specifically:

Targets	31/12/2020 (VND billion)	Compared to 31/12/2019	Targets assigned by the GMS	Compared with targets
Total assets	1,240,711	+ 6.6 %	Increase by 2% - 5%	Achieved
Funds mobilized from Market 1	892,785	+ 8.1 %	Increase by 10% - 12%	Not achieved
Credit exposure	953,178	+ 7.3%	Increase by 6% - 7%	Achieved
NPL ratio (on-balance sheet)	1.2 %		< 2%	Achieved
Separate profit before tax	11,461		Minimum of 9,000 VND billion	Achieved
Consolidated profit before tax	11,781		9,500 VND billion	Achieved

Regarding prudent indicators in banking operations, through periodical review of the Internal Control body, the Supervisory Board found that in 2019, VietinBank maintained these ratios in compliance with the regulations of the State Bank of Vietnam (SBV).

Profit distribution in 2018: VietinBank is submitting to the SBV for approval of the plan under Article 4, Resolution of the 2019 GMS:

- Appropriation to Charter capital supplement reserve fund (5%): VND 259,661 million;
- Appropriation to Financial reserve fund (10%): VND 519,321 million;
- Appropriation to Bonus and welfare fund: VND 1,417,695 million;
- 2018 dividend payment plan:
 - + Option 1: Pay all in stock dividends with an amount of VND 2,989,894 million;
 - + Option 2: Retain all profit for to increase charter capital.

The realized remuneration for the BOD and the Supervisory Board in 2019 is 0.28% of 2019 profit after tax, complying with Resolution of the 2019 GMS (The 2019 remuneration for the BOD and the Supervisory Board as adopted by Article 5, Resolution of the 2019 GMS is up to 0.38% of 2019 profit after tax).

b. Review of documents, policies, and BOD's Resolutions:

The Supervisory Board has assigned its members to review documents and policies issued by the BOD and the General Director; consider the BOD's Resolutions sent to the Supervisory Board. Through the review and consideration, the Supervisory Board found that the documents, policies, and BOD's Resolutions were fundamentally issued on the basis of complying with the provisions of Law and of VietinBank's Charter. As to some issues that need reviewing and correcting, the Supervisory Board has made recommendations in writing to the Chairman of the BOD and the General Director to direct relevant departments for implementation.

c. Control of quality of reports made by the Internal Audit body:

Based on periodic reports and reports on results of each internal audit, the Supervisory Board considered and assessed issued recorded through auditing activities, identified key issues, and delivered them in the reports to the BOD and the General Director at regular meetings.

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 2019 Financial Statements based on the independent audit of Ernst & Young Vietnam Limited Company (Ltd.), including separated and consolidated¹ reports and hereby confirms the results as follows:

The consolidated financial statements of the year 2019 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.

Figures related to equity and assets as at 31/12/2020 and the consolidated business results of VietinBank in 2020 are as follows:

No.	Indicators	31/12/2020 (VND billion)
1	Total assets	1,240,711
2	Owners' equity	77,354
3	Profit before tax	11,781
4	Corporate income tax	2,304
5	Profit after tax	9,476
6	Non-controlling interest	15

¹Including 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.

7	Net profit of owners	9,461
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(Source: Audited consolidated financial statement in 2019)

3. Results of monitoring the implementation of the Restructuring plan associated with bad debt handling

Following the SBV's directive on the implementation of the Restructuring plan, the BOD of VietinBank issued Resolution and Decision approving the implementation plan of the Restructuring plan associated with bad debt handling (Restructuring plan). The aforementioned Resolution and Decision specifies the responsibilities of each unit and individual involved in the formulation and implementation of the Restructuring plan as well as the mechanism for reporting and monitoring the implementation of the plan. Based on the plan approved by the BOD, the General Director has issued a document on implementation of solutions for restructuring VietinBank in the 2016-2020 period, determining the key duties and responsibilities of HO units and branches, ensuring bank-wide strict compliance with the required roadmap and the restructuring process in accordance with the guiding direction of the Government and the SBV.

Through the monitoring results in 2020, the Board of Supervisors found that basically the directives of the BOD and the General Director closely followed the orientation and objectives mapped out in the Restructuring plan approved by the SBV; at the same time, actively developed the plan and solutions for implementation so that the Restructuring plan can be completed as scheduled. Some specific solutions and plans which have been directed by the BOD and the General Director for execution are as follows:

- Improving the financial capability: direct for implementation of measures to raise capital and improve the quality of VietinBank's equity capital such as increasing Tier-1 capital; increasing Tier-2 capital by issuing secondary bonds; selling the investment portfolios of secondary bonds issued by other credit institutions; divesting, reducing the percentage of ownership in companies in which there are VietinBank's paid-in capital.

- Controlling and improving asset quality: apply measures to control asset quality, gradually reduce the proportion of assets with high risk weight, optimize the use of equity capital; implement measures to control and mitigate bad debts arisen, improve the efficiency of credit risk management and measures to handle bad debts, written-off debts, debts sold to VAMC and potentially risky debts.

- Improving the efficiency of investment and capital contribution: closely and comprehensively supervise the operations of subsidiaries and associated companies; strengthen financial capacity, expand business lines of subsidiaries; promote cross-selling of subsidiaries and associated companies' products towards VietinBank customers; promote the management of the investment portfolio in subsidiaries, associated companies and capital recipient units;

restructure the investment portfolio, divest from non-core businesses; consolidate the management of information on operations of subsidiaries, associated companies and capital recipient units.

- ***Restructuring and developing the network system:*** formulate a scheme on rearrangement, restructuring and redistribution of the transaction office network to ensure the consolidation and improvement of transaction offices' performance.

- ***Converting business model from credit-dependence to multi-service:*** shift business model from credit dependence to product/service diversification; prioritize investment in developing Banking IT infrastructure, in which special attention must be paid to cutting-edge security and confidentiality solutions to reduce transaction costs and prevent risks; expand agency relations with foreign financial institutions, promote access to international financial markets; promote trade presence in regional and international markets to enhance the export of financial services.

- ***Enhancing management, governance capacity and transparency in operations:*** applying the risk management system in line with the principles and standards set by the Basel Committee; give direction for public, transparent and accurate information disclosure on business strategy, ownership, financial situation, management structure, risk management and corporate governance in accordance with the law and in line with international practices; Develop long-term business plans and strategies; Modernize the technology system, enhance the application of information technology in management activities; Standardize conditions and standards for key titles.

- ***Improving the performance and operational capacity of the internal audit and internal control bodies:*** further modernize the inspection and supervision support system; perfect inspection and auditing methods; provide training to improve knowledge, inspection and auditing skills.

- ***Managing costs:*** thoroughly convey the orientations in relations to operating costs to bank-wide units; develop measures to strictly manage operating costs; simultaneously, review, amend and supplement internal documents stipulating the standardization of the formulation and management of bank-wide operating cost plan.

- ***Strictly managing capital construction investment activities:*** regularly direct the management of such activities through check points designed in regulations and professional processes.

3. 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 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 5% (five percent) voting shares of VietinBank have been done periodically by the Supervisory Board, on the basis of collaboration and information exchange with the BOD's Secretariat & IR. The tracking and update results showed that in comparison with the end of 2018, there are a few changes in the list of related persons of VietinBank in 2019 due to the change in members of the BOD, and the Supervisory Board for the term of service of 2019-2024 as approved in the 2019 GMS. This list was timely updated and kept as record by the Supervisory Board as regulated.

5. Directing and supervising the operation of Internal Audit body

The Supervisory Board has regularly given directions and monitored internal audit activities according to the duties, functions and internal audit plan which had been approved. In 2019, Internal Audit Department has completed audit sessions in accordance with the approved plan. Internal audits were closely supervised by the Supervisory Board, thereby controlling the quality of auditing activities, adhering to professional ethical standards as well as assessing the plus points/shortcomings of the Internal Audit body to promptly learn from experience, continuously improving internal audit quality and the capacity of internal auditors, maximizing its role as the final line of defense in risk management, ensuring meeting the requirements of comprehensiveness and frequency of internal audit activities towards contents of internal control system. The consolidation of personnel and the improvement of the operational quality of Internal Audit body were directed by the Supervisory Board to closely follow the orientation set by the 2019 GMS: (i) the organizational structure of Internal Audit body has been furthered consolidated in the direction of specialization through the establishment of teams/working groups specialized by professional activities, ensuring in-depth understandings of each professional activity, in order to effectively carry out risk assessment, develop risk profiles and perform risk-oriented audits; (ii) the audit method has been constantly being researched, improved and innovated in terms of thinking and approaching methods based on components of the internal control system; made in-depth analysis based on the nature of the problems, from which, making relevant recommendations, emphasizing the roles of high-level executives and lines of defense in risk management; (iii) attention was paid to improve the quality of the Internal Audit body's human resources through training programs, internal experience exchange and learning from advanced banks worldwide; (iv) the system of internal audit documents and policies was regularly reviewed, amended and supplemented to ensure compliance with new changes in legal regulations as well as changes in organizational model, governance regulations and risk appetite of VietinBank; (v) internal quality assurance was carried out seriously and substantially, together with information collected from combining multi-

dimensional information channels in terms of quality, qualifications and attitude of internal auditors for timely adjustment and improvement.

6. The coordination in operations between the Supervisory Board and the BOD, the BOM

The Supervisory Board regularly participated in regular meetings of the BOD and the BOM, as well as participated as guests in a number of meetings of Committees under the BOD and Commissions under the BOM. Through its monitoring, the Supervisory Board has provided opinions and recommendations to the BOD and the BOM regarding the supervision of high-level executives, internal control and risk management, ensuring compliance with the provisions of law and guiding documents of the competent State agencies, contributing to improving the performance of the Bank.

III. OPERATION ORIENTATION OF THE SUPERVISORY BOARD IN 2020

In 2019, 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 2020, 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

2020 is the final 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.

2. Strengthening staff force and enhancing capacity and operational quality of Internal Audit body

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 2020 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

- Continue to improve the audit methods, innovate the approach to ensure conformity with the organizational model, business activities and the requirements of Circular No. 13/2019/TT-NHNN regulating the internal control system of commercial banks, and consistent with the characteristics of VietinBank; focus on comprehensive assessment of the internal control system, analyze and compile the causes based on nature of the issues to make relevant recommendations, ensuring the completeness and effectiveness of the internal control system; focus on strengthening information technology audit field, which is consistent with the trend of digitalization in banking activities.

- Review and amend the system of internal audit documents and policies to ensure compliance with changes in auditing methods as well as changes in organizational model, management regulations and risk appetite of VietinBank.

- Consolidate human resources for the Internal Audit body: calculate headcount, strengthen staff force for the Internal Audit body in terms of both quantity and quality (in which, attaching importance to supplementing information technology auditing personnel), ensuring sufficient resources to carry out functions and duties as prescribed, in consistent with the scale, growth rate and business development orientation of VietinBank; regularly review and evaluate the qualifications of personnel, enhance training, constantly improve the quality of personnel to meet work requirements and ensure the performance of internal audit activities.

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

In 2020, 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 2020 audit plan; organizing the appraisal of financial statements in 2020; updating the list of founding*

shareholders, major shareholders and related persons of Board Members, Members of the Supervisory Board and the BOM of VietinBank.

IV. RECOMMENDATIONS

In supervision of the business activities, governance and management of the BOD and the BOM, as well as data in the 2019 Financial Statements, the Supervisory Board would like to recommend the Board of Directors:

- a. To approve the 2019 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 2019 and the orientation in 2020;
- c. To approve the Report of the Board of Management on business performance in 2019 and the orientation in 2020;
- d. To approve the Report of the Supervisory Board on performance in 2019 and operational orientation in 2020 of the Supervisory Board.

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

(signed and sealed)

Le Anh Ha