

**JSC BANK FOR FOREIGN  
TRADE OF VIETNAM**

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

Hanoi, April 26<sup>th</sup>, 2019

**REPORT OF THE SUPERVISORY BOARD OPERATIONS IN 2018  
AND ORIENTATIONS FOR 2019**

Based on the operation of Vietcombank, report of the Board of Directors (BOD), report of Board of Management (BOM) and operation result of the Supervisory Board during the year 2018, the Supervisory Board of Vietcombank is to report to the Annual General Shareholders' Meeting (AGM) of Vietcombank as follows:

**I. MAIN OPERATIONS OF THE SUPERVISORY BOARD IN 2018****1. The Supervisory Board's Personnel**

The Annual General Shareholders' Meeting in 2018 approved the 4 members of the Supervisory Board in tenure 2018 – 2023 as follows:

- Ms. Truong Le Hien
- Ms. Do Thi Mai Huong
- Ms. La Thi Hong Minh
- Ms. Vu Thi Bich Van – *Deputy Director of Finance and Accounting Department of the State Bank of Vietnam - Non-executive member,*

Supervisory Board has two assisting departments, i.e. the Internal Audit Department and Operational Supervision Department.

**2. Summary of the Supervisory Board's Meetings**

During the year 2018, the Supervisory Board has held at least one meeting per quarter periodically in accordance with Vietcombank's Charter. In addition, the Supervisory Board has regularly held discussions and exchanges of issues related to Vietcombank's governance and administration to serve the purposes of the Supervisory Board.

Based on supervisory results, the Supervisory Board has made advice, proposals and recommendations to BOD and BOM to enhance supervision,

mitigating risks and assuring the compliance to legal regulations, Vietcombank's Charter and internal regulations, contributing to the improvement of quality and effectiveness of Vietcombank's operations which made it possible for Vietcombank to well achieve its business targets during the year 2018.

### **3. Performance of Internal Audit Function**

In 2018, Vietcombank's Internal Audit has completed 100% of the annual audit plan and ad-hoc audits, including: performing audits at the Head Office and Subsidiaries, audits of the risk/ model management framework, theme audits of credit, accounting, anti-money laundering, payment, treasury and information technology at Head Office and Branches; evaluating the performance of the internal inspection unit; ensuring that audit and inspection activities have been implemented comprehensively on the entire Vietcombank.

The Internal Audit has reviewed and assessed independently and objectively the appropriateness, completeness, effectiveness and efficiency of the internal control system. The Internal Audit has also pointed out the necessary changes for the internal control system in order to handle and fix in timely manner.

Besides, Vietcombank has completed the project of Internal Audit/ Internal Inspection capability improvement and Internal Audit transformation at Vietcombank. Currently Vietcombank is implementing the investment projects in software for managing Internal Audit / Internal Inspection activities to automate parts of Internal Audit / Internal Inspection works.

Vietcombank has provided several trainings for internal audit staffs, strengthening the exchange of experiences and updating new audit methods in order to improve the quality of human resources.

### **4. Supervising performance, financial status and implementation of the Restructuring project associated with bad debt handling toward 2020**

The Supervisory Board has monitored the BOD and the BOM regarding the implementation of business objectives and orientations annually approved by the General Shareholders' Meeting and the implementation of the Restructuring project associated with bad debt handling toward 2020. The Supervisory Board has also continuously supervised the implementation of business targets assigned to business units by the BOD, the BOM in order to meet the objectives approved by the General Shareholders' Meeting.

The Supervisory Board's supervision has always been aligned with the

orientations and guidelines on operations of credit institutions issued by the Government and the State Bank of Vietnam (SBV) in terms of implementation of monetary, credit and foreign exchange policies, investments, share purchase, enhancement of governance and management capability, risk management, internal control and internal audit, enhancement of financial capability, ensuring safety in banking operations...

Besides regular monitoring and oversights on credit, investment, treasury and accounting and finance, the Supervisory Board has conducted theme supervision as on credits grants under approval authority of the BOD; credits granted to some groups of large corporations; management on limits and adequacy ratios, the compliance with regulations on the deposit limits granted to financial institutions and their usage. The Supervisory Board has also acted as the major contact point of the inspection and review of some projects on branches' offices construction...

The periodic monitoring report of the Supervisory Board on the implementation of the Resolution and the Decision of the General Shareholders' Meeting/ BOD has assisted the BOD to grasp the working progress in line with the established objectives and plan, providing a timely guidance to bankwide business units and supporting management of the BOD.

In accordance to the provisions of the Law on Credit Institutions, the Supervisory Board has reviewed the interim financial statements and the annual financial statements of Vietcombank to assess the truthfulness and reasonableness of the reported financial data to submit to the Annual General Shareholders' Meeting of in accordance with the provisions of Law and internal regulations.

The Supervisory Board has monitored the list of founding shareholders, major shareholders and related parties of the BOD's Members, Supervisory Board members and CEO, periodically updated information in accordance with Vietcombank's Charter. The transactions of buying / selling Vietcombank shares of the above subjects have been implemented in accordance with regulations on disclosure of information on the stock market.

Through the monitoring results, the Supervisory Board has reported the shortcomings in the operation process, timely putting forward its proposals and recommendations to the BOD, the BOM for their control strengthening and amendment/improvement on internal regulations... in order to mitigate risks, ensuring compliance with the Law as well as improving the quality and efficiency of operations.

## **5. Supervising the BOD, CEO and other executives**

In general, in 2018, the BOD and the BOM have directed and run the business activities of the Bank in line with the orientation, the solutions for Restructuring project associated with bad debt handling toward 2020 are being actively implemented according to the set objectives and roadmap. The BOD and the BOM have complied with the provisions of the Law on Credit Institutions, Vietcombank's Charter, and the Resolution of the General Shareholders' Meeting.

## **6. Coordination between the Supervisory Board and the BOD, the CEO and the shareholders**

Under the Internal Management Regulations, the Supervisory Board has participated in meetings of the BOD and monthly meetings of the BOM. The Supervisory Board has also been provided with information and documents on the management, operations and business activities of Vietcombank for its supervision purpose. Members and staff of Supervisory Board have participated in professional courses and seminars which enhanced their knowledge on banking management and administration.

For the year 2018, the Supervisory Board has reviewed its regulation (which includes "Regulation on organization and operation of the Supervisory Board", "Regulation on Internal Audit"...), reviewing and making recommendations to the BOD on the regulations of internal administration (Charter of organization and operation of Vietcombank, Organization and operation regulations of the BOD, Internal governance regulations, ...) to comply with the regulations stated in Circular 13/2018-TT-NHNN and Circular 40/2018-TT-NHNN, which regulate on the internal control system of commercial banks and branches of foreign banks.

Through the results of monitoring, the Supervisory Board has taken control of the information and promptly made recommendations to the BOD and the BOM on the management, administration and implementation of the internal management regulations. The Supervisory Board has got a close cooperation with the BOD and the BOM in performing the assigned functions and coordination in Vietcombank's supervision and auditing activities.

## **7. The task implementation of Supervisory Board members**

In 2018, all members of Supervisory Board fulfilled well and excellently the assigned work. Operating expenses of Supervisory Board have been implemented in accordance with VCB internal regulations (i.e. regulations on Finance, Salary, Rewards ...). The remuneration for members of the Supervisory Board complied

with the Resolution No. 11/TN2018/NQ-VCB-ĐHĐCĐ by VCB 11<sup>th</sup> annual General Shareholder's meeting dated 27 April 2018 and the SBV document No. 9612/NHNN-TCCB dated 27 December 2018 on VCB's 2018 Salary Plan. Average monthly remuneration (after personal income tax) for the year 2018 that members of the Supervisory Board received as follows: Ms Truong Le Hien - Head of the Supervisory Board: VND 138 million; Ms La Thi Hong Minh - Member of the Supervisory Board: VND 89,5 million, Ms Do Thi Mai Huong - Member of the Supervisory Board: VND 79,7 million.

## **II. APPRAISAL OF VIETCOMBANK'S OPERATION IN 2018**

### **1. Performance of orientation and targets approved by the General Shareholders' Meeting**

In the changing business environment and intense competition in financial market, the Vietcombank BOD and BOM have followed the direction of the Government, SBV and market conditions to manage its business and achieved the goals approved by AGM with the motto as "Transformation, Effectiveness, and Sustainability" and the orientation "Innovation - Discipline- Responsibility". With the determination and efforts of the whole system, in 2018, Vietcombank has performed as well as outperformed basic indicators assigned by the Shareholders' Meeting and guided by SBV, i.e: total assets were VND 1,074,027 billion, up by 16.1% compared with 31 December 2017, exceeding by 1.8% of the plan assigned by the General Shareholders' Meeting; profit before tax was VND 18,269 billion, 61.1% higher than 2017 and 44.1% exceeding the plan; loan outstanding balance was VND 639,370 billion, up by 14.6% compared with 31 December 2017 (under the ceiling guided by SBV); deposit was VND 823,390 billion, up by 13.3% compared with 31 December 2017, being 98.5% of the plan; non-performance loan ratio was 0.97 %, down by 0.14 percentage point compared with 31 December 2017 and lower than the planning ratio (< 1,5% of total loan outstanding balance); 5 local branches accepted by SBV to open and the plan of opening a branch in Australia (under General Shareholders' Meeting direction) currently reviewed by SBV; after tax profit is enough for the planned dividend payment rate.

### **2. Compliance with the Law and execution to the guidance documents by the Government, the SBV**

Vietcombank has complied with executive direction and administration of the Government and SBV via building its action plans to align with the SBV to achieve the monetary policy objectives. Vietcombank has always adhered to the SBV's

policies and directions, such as compliance with interest rate and exchange rate policies, focusing on the preferential loan packages for those areas encouraged by the Government and SBV; well implementing the State polices on the bank restructuring.

Vietcombank has managed, monitored and complied with the indicators of operational adequacy ratios in banking activities as prescribed by the SBV such as: capital adequacy ratio (CAR), loan/ deposit ratios, capital contribution and shares investment ratios... In 2018, Vietcombank implemented divestment/decreased capital investment in some credit institutions and other corporations to comply with regulations regarding capital contribution and shares investment. In case of exceeding the requested ratio, Vietcombank always reported to the Government and the SBV for their approval and permissions.

### **3. Risk management system**

In 2018, Vietcombank was one of the first two banks in Vietnam certified by the SBV to comply with Basel II's requirements in terms of risk management in the standardized method. Vietcombank has systematically carried out various initiatives in terms of risk management models and policy system to comply with the requirements of Circular 13/2018/TT-NHNN dated 18/05/2018 and Circular 40/2018/TT-NHNN dated 28/12/2018. Vietcombank's risk management structure has been developed and strengthened in line with the best practice. Specifically, Vietcombank has:

- Boosted the BOD, the BOM and the Supervisory Board's supervision in terms of risk management system, standardized the operations of the Risk Committee and established the Risk Council under the BOM;

- Implemented the restructuring and re-arrangement of the operational mechanism, standardized the functions and responsibilities of departments/centers in the Head Office in the model of three lines of defense to improve the risk management quality and business efficiency;

- Established the general bank-wide risk management strategy and policy as well as for each and every single comprehensive risk including credit risk, market risk, operational risk, liquidity risk, interest rate risk on the banking book , and concentration risk;

- Updated the risk appetite regulation and established the capital management and capital adequacy ratio management policy so that Vietcombank's CAR ratio complied with SBV's regulations specified in Circular 36 and Circular 41;

- Implemented the IT development projects to support Vietcombank's operations and provide management information in a timely, complete and precise manner.

#### 4. Appraisal of financial statements

The Supervisory Board has conducted the appraisal of the consolidated financial statements of the Bank and its subsidiaries for the year ended 31st December 2018 and confirmed the results as follows:

- The Consolidated Financial Statements of Vietcombank for the year ended 31 December 2018 fully reflected the performance and financial position of Vietcombank and its subsidiaries as at 31 December 2018, presented in accordance with the report forms stipulated in the Decision No 16/2007/QĐ-NHNN dated 18 April 2007 and Circulars No 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV on the financial report mechanism for credit institutions and in accordance with the Vietnamese Accounting Standards as well as relevant statutory regulations.

- The Consolidated Financial Statements for the year end 2018, in all material aspects, gave a true and fair view of financial position of Vietcombank and its subsidiaries as at 31 December 2018 and of their consolidated operations for the year 2018.

The Bank's key figures relating to equity and assets as at 31 December 2018 and the consolidated results of operations for the year 2018 are as follows:

1. Total assets:	VND 1,074,027 billion
2. Total shareholders' equity:	VND 62,179 billion
3. Results of operations in 2018:	
Profit before tax:	VND 18,269 billion
Income tax expense:	VND 3,647 billion
Profit after tax:	VND 14,622 billion
<i>(Profit after tax recorded in the single financial report)</i>	<i>VND 14,455 billion)</i>
+ Non-controlling interest	VND 16 billion
+ Net profit during the year	VND 14,606 billion

### **III. PLAN FOR THE YEAR 2019 AND PROPOSALS**

#### **1. Plan of the Supervisory Board for 2019**

Pursuant to the Supervisory Board's functions and responsibilities, action plan by Vietcombank for 2019, the directives of the Government and the State Bank of Vietnam on objectives and missions to conduct monetary policy, to ensure the safe and efficient business operations, the Supervisory Board shall focus on main activities as follows:

1.1. Appraise the semi-annual and annual financial statements;

1.2. Supervise activities such as credit, treasury, investment, construction and asset purchasing, information technology, accounting and compliance to adequacy ratios; supervise the implementation of risk management of Vietcombank under Basel II and the Vietcombank's Restructuring project associated with bad debt handling toward 2020; monitor the list of major shareholders and related people of members of BOD, Supervisory Board and CEO; follow up Vietcombank's implementation of Supervisory Board's recommendations and performance of Vietcombank's objectives and plans;

1.3. Complete Internal Audit plan as registered with SBV as well as ad-hoc audits required by SBV and Vietcombank's Senior management; continue applying the achievements of the project of Internal Audit capability improvement and Internal Audit transformation aligning with best international practices and Basel II requirements on risk management and internal audit function; implement the investment projects and deploy the software for managing Internal Audit / Internal Inspection activities; develop the information system to support audit function;

1.4. Improve human resource, enhance knowledge and skills of staffs of the Supervisory Board in order to meet the increasing requirements of risk monitoring in continuously development and changing environment.

#### **2. Proposals**

Based on the above comments, the Supervisory Board recommends that the General Shareholders' Meeting, the BOD and the BOM:

2.1. Continue restructuring and tightening control over the credit portfolio, paying attention to the recovery of non-performing loans and off-balance-sheet debts so as to ensure that the portfolio structure and credit quality to meet the established objectives of Vietcombank restructuring plan toward 2020 and SBV's orientation;



- 2.2. Manage operating expenses as per the approved budget;
- 2.3. Actively implement the Bank Restructuring Plan approved by SBV;
- 2.4. Raise capital to improve Vietcombank's capital adequacy ratio;
- 2.5. Closely supervise the Project of information technology enhancement to strengthen the capability of IT systems, assuring IT safety and security in the bank activities; enhance IT applications in providing services;
- 2.6. Continue reviewing and improving the bank internal regulations and processes in line with current legal regulations and changes in business objectives;
- 2.7. Implement and thoroughly apply the projects and programs of banking governance capability improvement;
- 2.8. Intensify internal controls and supervision to detect, warn and correct / prevent deficiencies in timely manner.

Based on the above assessment of Vietcombank's performance and financial results, the Supervisory Board proposes that the General Shareholders' Meeting approve the report on the Vietcombank performance for the year 2018 submitted by the BOD and the BOM.

We wish the great success for the General Shareholders' Meeting.

**FOR AND ON BEHALF OF VIETCOMBANK SUPERVISORY BOARD  
HEAD OF THE SUPERVISORY BOARD**

**Trương Lệ Hiền**