



**JOINT STOCK COMMERCIAL BANK
FOR FOREIGN TRADE OF VIETNAM**

Head Office: 198 Tran Quang Khai Street, Hanoi
Business Registration No: 0100112437
(7th revision dated 10th January, 2012)

**SOCIALIST REPUBLIC OF VIETNAM
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Hanoi, 19 March, 2012

REPORT OF THE SUPERVISORY BOARD

- Pursuant to the Charter on Organisation and Operation of Joint Stock Commercial Bank for Foreign Trade of Vietnam (“Vietcombank”) approved by the Annual General Shareholders’ Meeting on 22 April 2011 under the Resolution No 04/TN2011/NQ-DHDCD;
- Based on the Regulation on Organisation and Operation of the Supervisory Board of Vietcombank (“Supervisory Board”) approved by the Annual General Shareholders’ Meeting on 22 April 2011 under the Resolution No 04/TN2011/NQ-DHDCD;
- Based on the operation of Vietcombank, report of the Board of Directors, report of Board of Management and operation of the Supervisory Board during the year 2011;

The Supervisory Board is pleased to submit the following contents to the Annual General Shareholders’ Meeting of Vietcombank:

I. MAIN OPERATIONS OF THE SUPERVISORY BOARD IN 2011

The Supervisory Board comprises 04 members among which there are 3 responsible members. The Supervisory Board has two assisting departments which are the Operation Supervisory Department and Internal Audit Department.

During the year 2011, the Supervisory Board performed and fulfilled its duties stipulated in the Charter on Organisation and Operation as follows:

- Monitoring the operations and compliance with the law and the Bank’s charter by the Board of Directors, CEO, and other managers in the management of the Bank.
- Performing the internal audit at 20 branches of Vietcombank.
- Assessing the internal control system of Vietcombank.
- Appraising the financial statements of the first 6 months and financial statements for the year ended 31 December 2011 of Vietcombank.
- Other duties as stipulated by the Annual General Shareholders’ Meeting, law and the Bank’s charter.

II. OPERATIONAL RESULTS OF THE THE SUPERVISORY BOARD :

1. Operational supervisory and internal audit:



1.1. Overall evaluation:

In 2011, both world economy and Vietnamese economy were still far from stabilization. The banking industry has faced with many challenges and difficulties such as higher non-performing loan ratio, liquidity intension in several banks, dramatic fluctuation of exchange rate and interest rate and unfair competition between banks.

In such an unstable business environment and tough competition between commercial banks, Vietcombank has strictly implemented the SBV and the Government's directions as well as followed market conditions in order to reach its target of "Development - Safety – Efficiency – Quality". Vietcombank achieved the main business targets assigned by the General Shareholders' Meeting such as: the total assets were VND 366,722 billion, increased by 19.21% compared to 31 December 2010, achieved 103.71% target figure assigned by General Shareholders' Meeting, profit before tax was VND 5,697 billion, increased by 2.31% compared to 2010, exceeded 0.84% target figure assigned by General Shareholders' Meeting. Vietcombank also strictly complied with safety limits for regulated operations: The Capital Adequacy Ratio (CAR) reached 9.63% as at 31 December 2011 after share capital increase (for the first time share issue to increase capital at the rate of 33% of chartered capital in February 2011 and for the second time at the rate of 12% of chartered capital in August 2011); safety ratios of liquidity, the capital contribution and share purchase, and the ratio of credit extension against the mobilized capital source were complied with regulations of State Bank of Vietnam. In 2011, Vietcombank successfully completed its share placement issue to strategic partner – Mizuho group.

1.2. Analysis of specific operations:

a. Credit activities:

Following the directions of the Government, especially the Resolution No 11/NQ-CP dated 24 February 2011 and the directions of the SBV on credit and monetary solutions, the credit management policies of Vietcombank has targeted to control the credit growth and be flexible with the economic conditions and directions of the SBV in each period. In 2011, Vietcombank controlled the credit growth less than 20% which complied with the Directive 01/2011/CT-NHNT dated 1 March 2011 of the SBV, in which the rate of loans of non-production sector was 9.4%, much lower than the rate regulated by the SBV. Vietcombank also succeeded in controlling the growth rate of foreign currency loans and medium and long term loans to maintain the liquidity and safety ratios. As at 31 December 2011, the total outstanding loans were VND 209,418 billion, increased by 18.44% compared to 31 December 2010, nearly equivalent to the target figure assigned by the Annual General Shareholders' Meeting (20%). The implementation of internal credit rating system and the qualitative classification of loan customers was an important turning point in managing the quality of credit risk management and also served as a basis for advanced corporate governance tools in the coming years. Due to the negative impact of the global economy and domestic economy, many enterprises have faced enormous challenges, leading to serious difficulties in their ability to repay loans. The flexible solutions in debt collection helped to keep the non-performing loan ratio at 2.03%, below the targeted ratio



approved by the Annual General Meeting. Bad debt prevention and the debt collection activities continue to be the first duty in 2012.

The credit organization and management structure is established to focus on the risk management with the clear decentralization between the units and departments. A great deal of attention has been paid to the control and supervision on the credit activities, especially in the high risk sectors such as securities and real estate trading. The credit risk management departments established at the Head Office have helped to effectively adjust branch authority for credit approval, manage investment portfolio, analyse banking risk, control loans exceeding approval authority and review loan portfolio under the branches' approval authority. Monitoring, managing and assessing risk of each loan customer at each branch has been fully performed. In this current situation, the overall risk management over the related customer group at one branch or several branches of Vietcombank needs to be under closer cooperation in management over the customer group in the whole network and between the branches.

b. Foreign exchange trading and investment activities:

The monetary tightening and de-dollarization policy, application of interest rate ceiling and fierce competition among some credit institutions caused a lot of difficulties in the fund mobilization of Vietcombank in 2011. As guided in the Resolution of the 4th Annual General Shareholders' Meeting which prioritized the fund mobilization during 2011, Vietcombank has adopted several effective solutions to stimulate fund mobilization. Mobilized funds from the economy as at 31 December 2011 reached VND 241,688 billion, increased by 16.02% compared to 2010 and achieved 96.68% of the planned figure by the Annual General Shareholders' Meeting. Vietcombank also complied with the instructions of the Government and the SBV on the monetary management, interest rate ceiling regulation and exchange rate fluctuation margin.

In 2011, Vietcombank focused on reviewing and proactively restructuring the investment portfolio in the direction that Vietcombank would maintain and invest in the new effective investment portfolio, dispose the ineffective investment portfolios or that would be ineffective and concentrate the investments on the main operations as well as supporting the main operations.

c. Accounting and finance management:

In general, accounting and finance management of Vietcombank ensured the comprehensive, true and fair recognition of all operations of the bank. The financial statements of Vietcombank have been reviewed and audited by the external auditor on the regular basis. The declaration of financial information complied with the prevailing regulation. As a result of successful revenue and costs management, Vietcombank has achieved the 2011 profit targeted by the Annual General Shareholders Meeting. In addition, Vietcombank implemented the internal fund transfer pricing system to ensure the fair identification of revenue and cost of interbranch fund operations and more effective interest risk management.



d. Retail banking and banking services:

Vietcombank continuously developed its retail banking according to the strategy and plans; established the support system for the retail activities; offered a variety of products and services in fund mobilization, credit, card, internet banking service; applied the flexible price and fee policies; upheld high-quality services and customer care... In addition, Vietcombank paid intensive attention to administrative policies to prevent and timely identify risks associated with the development of retail banking products and services. The year 2011 witnessed the remarkable increase in the income from retail services, especially card issuance and settlement. Notably, fund mobilization in retail activities keeps developing and is of great importance to the fund mobilization activities of Vietcombank. In the coming time, along with the network expansion and development of retail products and services, Vietcombank remains to focus on control and supervision to ensure the safety of retail banking activities.

e. Basic construction:

Vietcombank launched 62 construction projects in 2011, 14 of which have been completed and put in use, while 48 are still in progress. The completion rate of basic construction projects increased remarkably compared to previous years. However, the market price fluctuations in 2011 have impeded the launching of some projects and slowed the progress of others, resulting in failures to meet the targeted plan.

In the foreseeable future, because of relatively high number of projects in progress and increasing construction expenditures, Vietcombank needs to push up the completion of projects as planned through mobilization of resources, strict control on expenditures and appropriate fund allocation.

f. Information technology:

In order to build Vietcombank into a multi-functional, technologically-advanced international financial group, Vietcombank always considers information technology and technology investment as a key to its development. In 2011, Vietcombank has prepared for the 2012 launching of several important projects such as core banking system, centralized data processing system for trade finance, and management information system. In addition, Vietcombank invested and upgraded information technology infrastructure based on cloud computing models, as well as enhancing security solution for internet banking services. For the upcoming period, Vietcombank needs to keep close watch on the progress of approved projects and work on gaining higher control over its network security so as to minimize the risks in card and internet banking services.

2. Assessment of Vietcombank's internal control and audit:

In 2011, the internal control and audit of Vietcombank was further enhanced to achieve the efficiency and safety objectives, control and audit activities carried out on the regular basis at every unit, branches and operations of Vietcombank.

a. System of procedures, rules and regulations



Vietcombank has a relatively comprehensive system of procedures and regulations on the operations of the Bank. Furthermore, the Bank has frequently undertaken extensive review, editing and adoption of new procedures to ensure efficient operations and control over its activities. In 2011, Vietcombank reviewed, completed and issued many new procedures and regulations such as: Financial Regulation; Organizational and Operational Regulation of Board of Directors; Organizational and Operational Regulation of the Supervisory Board; Debt Securities Trading Procedure; Credit Guarantee Policy; Information Technology Safety and Security Regulations for Vietcombank's operations; Regulations On Classification; Granting and Management of Credit Limit for Financial Institutions... Besides, Vietcombank regularly issues detailed instructions to implement the new products of the Bank.

The review, revision and supplementation of regulations and procedures have been conducted on a regular basis in order to improve the efficiency, effectiveness and safety of operations and to comply with the prevailing regulations of the State.

b. Risk control structure

The segregation of duties from the Head Office to branches and between the departments of branches conformed to the regulations of Vietcombank, ensured the clear, transparent management mechanism suitable for the development objective. The set up and implementation of control points in each procedure basically help minimizing risks in the operations of Vietcombank.

Vietcombank has also set up a division for risk management including departments of credit risk, market risk and operational risk. These departments have been operating stably, which helps to minimize risks for Vietcombank.

c. Internal control and supervision

These departments are set up to supervise the conformity with the laws and regulations of Vietcombank prevent, identify and deal with risks on a timely manner. The self-supervising activities are performed on the regular basis by the internal control department and units at the Head Office and branches. On the basis of supervisory and internal audit results, the branches repaired the shortcomings and errors in order to conform to the regulations and procedures of Vietcombank. Vietcombank always pays a great deal of attention to the internal control and supervision in order to further enhance the internal corporate governance and operational risk control.

d. Internal information reporting system

The information reporting system works for all operations of Vietcombank. A particular set of reports is issued with each product, and almost all of them are exported from the IT system. In 2011, Vietcombank concentrated on developing new utilities based on the current application systems in order to improve risk control, manage costs, reduce processing time for the operations such as financial reporting system, reports for trade finance and forex trading, human resources management system, asset management system, customer service management system... However, in order to meet the increasing



requirements of a well-structured information system for management and risk control, the internal management information systems needs to be further upgraded to allow users with ease of access and better information usage.

3. Appraisal of financial statements

The Supervisory Board conducted the appraisal of the financial statements for the year ended 31 December 2011 and confirmed the results as follows:

- The Consolidated Financial Statements of Vietcombank for the year ended 31 December 2011 fully reflected the performance and financial position of Vietcombank as at 31 December 2011 and the performance results for the period from 1 January 2011 to 31 December 2011 and presented in accordance with the report forms stipulated in the Decision No 16/2007/QD-NHNN dated 18 April 2007 issued by the SBV on the financial report mechanism for credit institutions and in accordance with the Vietnamese Accounting Standards and the relevant statutory regulations.

- The Consolidated Financial Statements of Vietcombank for the year ended 31 December 2011, in all material aspects, gave a true and fair view of financial position of Vietcombank and its subsidiaries as at 31 December 2011 and of their consolidated results of operations for the year 2011.

The Bank's key figures relating to equity and assets as at 31 December 2011 and the consolidated results of operations for the year 2011 are as follows:

		<i>Unit: VND billion</i>
1	Total assets	366,722
2	Total shareholders' equity	28,639
3	Results of operations in 2011	
	- Profit before tax	5,697
	- Income tax expense	1,480
	- Profit after tax	4,217
	<i>In which: profit after tax of the Bank only</i>	4,505
	- Non controlling interest	21
	- Net profit during the year	4,197

From the evaluation of operations and performance results for the year 2011 of Vietcombank, the Supervisory Board proposes that the General Shareholders' Meeting approve the report on Vietcombank's performance in 2011 which was presented by the Board of Directors and Board of Management.



III. ACTION PLAN FOR 2012 AND PROPOSALS:

1. Action plan for 2012:

Pursuant to the Supervisory Board's functions and responsibilities, Vietcombank's orientation for 2012, the Government and the State Bank of Vietnam's guidance on objectives, missions to conduct monetary policy, measures to ensure the safe and efficient business operations, the Supervisory Board shall focus on main activities as follows:

- 1) Appraise the financial statements for the year ended 31 December 2012 and for the period ended 30 June 2012, review monthly/quarterly figures of material accounts to the financial results such as: investments in subsidiaries, joint ventures and others; significant deposits, loans in foreign currencies and provisions.
- 2) Monitor operations such as credit, foreign exchange trading, investment activities, construction and assets purchasing, information technology, accounts recording, compliance to safety ratios; monitor the business performance as per the Supervisory Board's proposals, Vietcombank's policies and orientations.
- 3) Implement internal audit as registered with the State Bank of Vietnam.
- 4) Carry out the internal audit in accordance with Circular 44/2011/TT-NHNN. Restructure the organization and conduct the regional audit. Amend internal audit regulations and procedures in accordance with Circular 44/2011/TT-NHNN. Issue and frequently improve internal audit manual, assure internal audit quality.
- 5) Train to enhance the Supervisory Board's staff's professional qualifications, support with information technology for audit and supervision.

2. Proposals:

From above performance reviews and comments, the Supervisory Board proposes to the Annual General Shareholders' Meeting, the Board of Directors and the Board of Management as follows:

- 1) Enhance fund mobilization, ensure liquidity and sound structure between the fund and use of capital, and assure safety ratios as required.
- 2) Regularly review loan portfolio to assure the structure as targeted, control the credit growth rate to match with Vietcombank's mobilization capacity and the SBV's benchmarks in each period. Thoroughly control the credit portfolio, further enhance the quality of assets, management and collection of bad debts and provision covered debts.
- 3) Implement the effective management over the net interest margin between the output and input interest, maintain the reasonable level of cost/income ratio to ensure the efficient business operations.
- 4) Regularly review and refine the Bank's policies and regulations to comply with prevailing regulations and appropriately react to fluctuations of business conditions.



- 5) Continue upgrading information technology system to effectively support business operations, the management, direction and risk management.
- 6) Enhance monitoring, internal audit, refine the system to timely detect inherent risks in Vietcombank's operations to propose correction methods

Best wishes for a successful General Shareholders' Meeting.

ON BEHALF OF THE SUPERVIORY BOARD

CHIEF OF THE SUPERVISORY BOARD

Truong Le Hien