

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

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

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**REPORT OF THE SUPERVISORY BOARD'S OPERATIONS
IN 2019 AND ORIENTATIONS FOR 2020**

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 2019, 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 2019**1. The Supervisory Board's Personnel**

The Annual General Shareholders' Meeting in 2018 approved the 4 (four) 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,*

At the 2019 Annual General Shareholders' Meeting on April 26, 2019, the dismissal of the position of the Supervisory Board member for Ms. Vu Thi Bich Van was approved due to retirement from work.

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 2019, 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 for the purposes of the Supervisory

Board.

Based on supervisory results, the Supervisory Board has made advice, proposals and recommendations to the BOD and BOM to enhance supervision, mitigating risks and assuring compliance with 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 2019.

3. Performance of the Internal Audit Function

In 2019, Vietcombank's Internal Audit has completed and exceeded the annual audit plan of 19 audits as approved by the Bank's Senior Management and registered with the State Bank of Vietnam, including: 05 audits at the Bank's Subsidiaries, 03 audits at Head Office, 03 audits of the risk/ model management framework, 08 theme audits of credit, accounting, retail banking, treasury and information technology... Especially, in 2019, the Internal Audit has urgently performed 2 audits under the direction of the Bank's Senior Management (i.e. an audit of the effectiveness of the Vietcombank Cash Processing Centre and an audit of database conversion for the new Core Banking). All audit results have been recognized and highly evaluated by the Bank's Senior Management.

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 a timely manner.

Besides, the Internal Audit has implemented the result of the project of Internal Audit/Internal Inspection capability improvement and Internal Audit transformation at Vietcombank into their daily work. The Internal Audit has applied the new audit methodology and approaches to access the risk management frameworks, quantitative risk models for measuring material risks, information technology systems and databases, conducting theme audits for bank-wide procedures and operations, to ensure audit quality in line with international standards and requirements.

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 Plan 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 Plan 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...

Beside 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 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 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.

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 business activities.

5. Supervising the BOD, CEO and other executives

In general, in 2019, the BOD and the BOM have directed and run the business activities of the Bank in line with the orientation and the strategic objectives, the solutions for Restructuring Plan associated with bad debt handling toward 2020 are being actively implemented according to the objectives and roadmap, a number of criteria have been achieved ahead of scheduled timeline (e.g. total asset, profit before tax...), bad debt percentage is below 1%. 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 training courses and seminars which enhanced their knowledge on banking management and operation.

For the year 2019, the Supervisory Board has reviewed its regulation (which includes "Regulation on organization and operation of the Supervisory Board", "Regulation on Internal Audit"...), reviewed and made recommendations to the BOD on the regulations of internal governance (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

Based on the results of monitoring, the Supervisory Board has captured the information and have promptly made recommendations to the BOD and the BOM on

the bank's management, the bank's operation and the implementation of the internal management regulations. The Supervisory Board has closely cooperated with the BOD and the BOM in performing the assigned functions, and in Vietcombank's supervision and auditing activities.

7. The task implementation of the Supervisory Board members

In 2019, all members of the Supervisory Board have fulfilled well and excellently the assigned works. Operating expenses of the Supervisory Board have been implemented in line with the VCB internal regulations (i.e. The regulations on Finance, Salary, Rewards ...). The remuneration for members of the Supervisory Board complied with the Resolution No. 12/TN2019/NQ-VCB-ĐHĐCĐ by VCB 12th annual General Shareholder's meeting dated 26 April 2019 and the Circular No. 6933/NHNN-TCCB dated 4 September 2019 approved VCB's 2019 compensation Plan. The average monthly remuneration (after personal income tax) for the year 2019 that members of the Supervisory Board received as follows: Ms Truong Le Hien - Head of the Supervisory Board: VND 145.1 million; Ms La Thi Hong Minh - Member of the Supervisory Board: VND 91.7 million, Ms Do Thi Mai Huong - Member of the Supervisory Board: VND 83.8 million.

II. ASSESSMENT OF VIETCOMBANK'S OPERATION IN 2019

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

In the changing business environment and the intense competition among commercial banks, Vietcombank's BOD and BOM have based on the direction of the Government, the SBV and the market conditions to manage the business activities and to achieve the goals approved by General Shareholders' Meeting which described as the motto as "Transformation, Effectiveness, and Sustainability" and the executive orientation "Innovation - Discipline - Responsibility". With the determination and efforts of the whole system, in 2019, Vietcombank has outperformed all the basic indicators assigned by the General Shareholders' Meeting and guided by SBV, i.e: total assets reached VND 1,222,719 billion, up by 13.8% compared with 31 December 2018, exceeding by 1.6% of the plan assigned by the General Shareholders' Meeting; profit before tax was VND 23,122 billion, 26.6% higher than 2018 and 15.6% exceeding the plan; loan outstanding balance was VND 741,387 billion, up by 15.9% compared with 31 December 2018 (under the ceiling guided by SBV); deposit was VND 949,835 billion, up by 15.4% compared with 31 December 2018, exceeding by 2.1% of the plan; non-performance loan ratio was

0.78%, down by 0.2 percentage points compared with 31 December 2018 and followed the planning ratio (< 1% of total loan outstanding balance); 5 new local branches accepted by SBV to open and the plan of opening a branch in Australia (under General Shareholders' Meeting direction) granted by SBV; the after tax profit is sufficient for the planned dividend payment rate.

2. Compliance with the Law and execution of 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's policies 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.

3. Risk management system

In 2019, Vietcombank continued to improve the bank's risk management framework in the standardized method, complying 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 also been strengthened in line with the best practices, as follows:

- Boost the BOD, the BOM and the Supervisory Board's supervision in terms of risk management system, standardize the operations of the Risk Committee and establish the Risk Council under the BOM;

- Continue the bank's implementation of the restructuring and re-arrangement of the operational mechanism, standardize 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;

- Review periodically the bank's internal regulations and processes, including the risk management and risk appetite policy/process to be in line with Circular 13;

- Continue the improvement of material risk identification and measurement tools and apply the credit risk quantification models (PD, LGD, EAD models) to implement the process of internal credit rating, credit risk measurement and credit quality management.

- Review periodically material risk limits to update risk limits in line with VCB's business operations and the SBV's regulations (Circular 22/2019/TT-NHNN which has been effective since 01/01/2020).

- Continue the implementation of IT development projects to support Vietcombank's operations and provide management information in a timely, comprehensive 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 fiscal year ended 31st December 2019 and confirmed the results as follows:

- The Consolidated Financial Statements of Vietcombank for the fiscal year ended 31 December 2019 fully reflected the performance and financial position of Vietcombank and its subsidiaries as at 31 December 2019, 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 2019, in all material aspects, gave a true and fair view of financial position of Vietcombank and its subsidiaries as at 31 December 2019 and of their consolidated operations for the year 2019.

The Bank's key figures relating to equity and assets as at 31 December 2019 and the consolidated results of operations for the year 2019 are as follows:

1. Total assets:	VND 1.222.719 billion
2. Total shareholders' equity:	VND 80.883 billion
3. Results of operations in 2019:	
- Profit before tax:	VND 23.122 billion
- Income tax expense:	VND 4.596 billion
- Profit after tax:	VND 18.526 billion
<i>(Profit after tax recorded in the single</i>	<i>VND 18.201 billion)</i>

financial report

+ Non-controlling interest	VND	(15) billion
+ Net profit during the year	VND	18.511 billion

III. PLAN FOR THE YEAR 2020 AND PROPOSALS**1. Plan of the Supervisory Board for 2020**

Pursuant to the Supervisory Board's functions and responsibilities, operational orientation of Vietcombank for 2020, 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 with indicators of operational adequacy ratios in banking activities; supervise the implementation of risk management of Vietcombank under Basel II and the Vietcombank's Restructuring Plan associated with bad debt handling toward 2020; monitor and update 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; develop the information system to support audit function;

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

2. Proposals

Based on the above comments, the Supervisory Board proposes recommendations to the General Shareholders' Meeting, the BOD and the BOM, as follows :

2.1. Strictly manage the credit portfolio, especially for customers affected by Covid-19 pandemic; focus on recovering non-performing loans and off-balance-sheet debts to ensure that the portfolio structure and credit quality 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. Complete the established objectives of the Bank Restructuring Plan toward 2020 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, concentrating resources to implement the Digital Banking transformation project to meet the established targets;

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 control and supervision activities to detect, warn and correct/prevent deficiencies in a timely manner.

Based on the above assessments of Vietcombank's performance and financial results in 2019, the Supervisory Board proposes that the General Shareholders' Meeting approves the report on the Vietcombank performance for the year 2019 submitted by the BOD and the BOM.

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

FOR AND ON BEHALF OF VCB'S SUPERVISORY BOARD
HEAD OF THE SUPERVISORY BOARD

Trương Lệ Hiền