

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

Address: 198 Tran Quang Khai St., Hanoi
Business Registration No. : 0100112437
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**SOCIALIST REPUBLIC OF VIETNAM
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Hanoi, April 27th, 2018

**REPORT OF THE SUPERVISORY BOARD OPERATION IN 2017,
TENURE 2013 – 2018 AND ORIENTATIONS FOR TENURE 2018 - 2023**

- Pursuant to the Charter on Organization and Operation of Joint Stock Commercial Bank for Foreign Trade of Vietnam (“Vietcombank”) approved under the Resolution No 09/NT2016/NQ-DHDCD of the Annual General Shareholders’ Meeting on 15 April 2016 and verified by the State Bank of Vietnam under the Document No 880/NHNN-TTGSNH dated 17 February 2017;

- Based on the Regulation on Organization 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 (BOD), report of Board of Management (BOM) and operation of the Supervisory Board during the year 2017 and tenure 2013 - 2018.

The Supervisory Board is to report to the Annual General Shareholders’ Meeting (AGM) of Vietcombank as follows:

**I. MAIN OPERATIONS OF THE SUPERVISORY BOARD IN TENURE
2013 - 2018**
1. The Supervisory Board’s Personnel

The Annual General Shareholders’ Meeting in 2013 had approved the following 5 members to be elected into the Supervisory Board of tenure 2013 – 2018:

No	Full name	Position	Work mechanism
1	Ms. Trương Lê Hiền	Head of the Supervisory Board	Executive
2	Ms. Vũ Thị Bích Vân	Member of the Supervisory Board	Non-executive (*)
3	Ms. La Thị Hồng Minh	Member of the Supervisory Board	Executive
4	Ms. Đỗ Thị Mai Hương	Member of the Supervisory Board	Executive

5	Mr. Lại Hữu Phước	Member of the Supervisory Board	Executive
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(*) Ms. Vũ Thị Bích Vân is a Deputy Director of Finance and Accounting Department of the State Bank of Vietnam.

The Abnormal General Shareholders' Meeting in 2014 approved Mr. Lại Hữu Phước to stop continuing to be a member of the Supervisory Board because he was assigned to hold another executive position in the Bank. Since 2015 until now, the Supervisory Board comprises of 4 members, and two assisting departments, i.e. the Operational Supervision Department and Internal Audit Department.

2. Summary of the Supervisory Board's Meetings

During tenure 2013 – 2018, the Supervisory Board has held at least one meeting per quarter periodically in accordance with the Bank's Charter. In addition, the Supervisory Board has regularly held discussions and exchanges of issues related to Vietcombank governance and administration to serve the purposes of the Supervisory Board.

Based on supervisory results, the Supervisory Board has raised operational deficiencies, timely made advice, proposals, recommendations to BOD and BOM to enhance supervision, reduce risk, assure compliance to the legal regulations, Vietcombank Charter and internal regulations, contributed to improve quality and effectiveness of Vietcombank operations which made it possible for the bank to well achieve its business targets during tenure 2013 - 2018.

3. Performance of Internal Audit Function

Internal Audit work has been carried out in compliance with the Circular No.44/2011/TT-NHNN; in addition to completing the annual audit plan registered with the State Bank of Vietnam, VCB Internal Audit has conducted ad-hoc audit engagements upon requests of the SBV and VCB Senior Management.

Audit scope covers bank wide units including the Head Office, branches, and subsidiaries as well as entire business areas and operations of the bank such as credit, trade finance, accounting, treasury, IT, risk governance...

Since 2015, as one of the 10 commercial banks selected to implement risk management capability enhancement project in accordance with requirements of Basel II, Internal Audit Department of VCB has been implementing the project of capability enhancement and transformation of internal audit function, focusing on reviewing units in the 2nd line of defense, conducting in-depth audit engagements such as IT audit, risk

management audit, quantitative risk model audit, reviewing capital adequacy ratio (CAR) and capital adequacy of the bank.

4. Financial and performance supervision

The Supervisory Board has monitored the Board of Directors, the Board of Management regarding the implementation of business objectives and orientations approved annually by the General Meeting of Shareholders as well as supervised continuously the implementation of business targets assigned to business units by the BOD, the BOM to meet the objectives approved by the Shareholders' General Meeting.

The Supervisory Board's oversights have always been aligned with the orientations and guidelines on operations of credit institutions issued by the Government and the State Bank of Vietnam in terms of implementation of monetary 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...

Supervision has been carried out continuously and systematically from the Head Office to branches and subsidiaries, focusing on governance and management of the bank, risk management on significant areas or risky areas of the bank, oversight and review on the implementation and compliance with regulations on safety banking operations in accordance with the Law on Credit Institutions.

Besides regular monitoring and oversights, the Supervisory Board has supervised credit grants under approval authority of the BOD; credits to groups of large corporations; management of limits, adequacy ratios, the compliance with regulations on deposit limit grants and usage to financial institutions; the Supervisory Board acts as the major contact point of inspections, reviewing projects on construction of branches' offices.

The periodic monitoring report of the Supervisory Board on the implementation of the Resolution and the Decision of the General Meeting of Shareholders / Board of Directors has assisted the Board to grasp the working progress in line with the set out objectives and plan, to provide timely guidance to bank wide business units, supporting the Board management.

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 the Bank to assess the truthfulness and reasonableness of the

reported financial data to submit to the Annual General Meeting of Shareholders 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 Board Members, Supervisory Board members and CEO, periodically updated information in accordance with the Charter of the Bank. The transactions of buying / selling VCB 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 put forward its proposals and recommendations to the Board of Directors, Board of Management to strengthen control, amend / improve internal regulations ... in order to limit and reduce risks, ensure compliance with the Law and improve the quality and efficiency of operations. Financial results of the Bank have been strengthened and improved significantly over the past 5 years (Total assets increased from VND 414,475 billion as of 01/01/2013 to VND 1,035,293 billion as of 31/12/2017, achieving an average annual growth rate of 20.26% per year, Charter capital increased from VND 41,547 billion as of 01/01/2013 to VND 52,558 billion as of 31/12/2017, achieving an average annual growth rate of 4.85 %, and pre-tax profit of VND 11,341 billion, achieving a highly growth in the 2015-2017 period and an average growth of 15.2% per year over the past 5 years, ROE was 17.33% as at 31/12/2017).

5. Supervising the Board of Directors, CEO and other executives

In general, during the period 2013-2018, the Board of Directors and the Board of Management have directed and run the business activities of the Bank in line with the orientation, the annual targets, and the business objectives set by the Annual General Meeting of Shareholders. The Board of Directors and the Board of Management have complied with the provisions of the Law on Credit Institutions, the Charter of the Bank, the Resolution of the General Meeting of Shareholders.

6. Coordination between the Supervisory Board and the Board of Directors, the General Director and the shareholders.

Under the Internal Management Regulations, the Supervisory Board has participated in regular monthly meetings of the Board of Directors, regular meetings of the standing Board of Directors and monthly meetings of the Board of Management. The Supervisory Board has also been provided with information and documents on the management, operation and business activities of the bank for its supervision purpose.

Members and staff of Supervisory Board have participated in professional courses and seminars to enhance knowledge on banking management and administration.

Through the results of monitoring, the Supervisory Board took control of the information and promptly made recommendations to the Board of Directors and Board of Management on the management, administration and implementation of the internal management regulations. The Supervisory Board had a close cooperation with the Board of Directors and Board of Management in performing the assigned functions and coordination in the Bank's supervision and auditing activities.

II. APPRAISAL OF VIETCOMBANK'S OPERATION IN 2017

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, the SBV and market conditions to manage its business and achieve the goals approved by AGM with the motto as "Transformation, Effectiveness, Sustainability" and the orientation "Innovation - Discipline- Responsibility". With the determination and efforts of the whole system, Vietcombank has outperformed basic indicators assigned by the Shareholders' Meeting, i.e: as at 31st December 2017, total assets were VND 1,035,293 billion, up by 31.4% compared with the same period last year, exceeding by 20.4% of the plan assigned by the General Shareholders' Meeting; profit before tax was VND 11,341 billion, 32.21% higher than 2016 and 25.07% exceeding the plan; loan outstanding was VND 557,688 billion, up by 17.2% compared to 31 December 2016, exceeding by 1.9% of the plan; deposit was VND 726,734 billion, up by 20,98% compared with 2016 and 6.98 % higher than that of the plan; non-performance loan ratio was 1.11 %, down by 0.34 % compared with 31 December 2016 and lower than the planning ratio (< 2% of total loan outstanding); the number of branches increased by 5 compared to 31 December 2016, meeting the planned target; 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 via building its action plans and align with SBV to achieve the monetary policy objectives. Vietcombank always adhere to the policies and direction of the SBV, such as compliance with interest rate and exchange rate policies, focusing on the preferential loan packages for those areas encouraged by the

Government and the SBV; well implementing the State policies on the bank restructuring.

Vietcombank manages, monitors and complies with the indicators of operational adequacy ratios in banking activities as prescribed by the SBV such as: capital adequacy ratio (CAR), loan/ deposit ratio... In case of exceeding the requested ratio, VCB always reported to the Government and the SBV's for their approval and permissions

3. Risk management system

With the objective to become the best bank in Vietnam for risk management and in line with Basel II, Vietcombank has implemented many important projects to improve business and risk management capability, to control its major risks. Up to 2017 year end, the bank has basically completed and strengthened its risk management framework, cascading down from the BOD, BOM to risk management departments at head office, covering internal control system in every process and department, for risk control and mitigation in bankwide activities. VCB organizational structure has been improved in line with the model "three line of defense" as regional common practices.

The bank has implemented various important projects/ initiatives such as Basel II, Credit Transformation Operation Model (CTOM), Enhancement of Market Risk Management Framework Project, ALM/FTP/MPA Projects, Development and Implementation of Fraud Risk Management Framework Project, the implementation of the IT Development Project up to 2020, Upgrading core banking system, trade finance system, Credit risk early warning system, Commercial loan origination system (CLOS), developing quantitative models for credit risk measurement (PD model), transforming and centralizing credit approval authorities at the Head Office.

Especially, the Bank has effectively controlled the credit risk in the whole system, improving its credit quality. The Bank's bad debt rate was 1.11% as at 31 December 2017, substantially lower than that of the whole banking system of Vietnam.

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 2017 and confirmed the results as follows:

- The Consolidated Financial Statements of Vietcombank for the year ended 31 December 2017 fully reflected the performance and financial position of Vietcombank and its subsidiaries as at 31 December 2017, presented in accordance with the report forms stipulated in the Decision No 16/2007/QD-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 ended 31 December 2017, in all material aspects, gave a true and fair view of financial position of Vietcombank and its subsidiaries as at 31 December 2017 and of their consolidated operations for the year 2017.

The Bank's key figures relating to equity and assets as at 31 December 2017 and the consolidated results of operations for the year 2017 are as follows:

1. Total assets:	VND 1,035,293 billion
2. Total shareholders' equity:	VND 52,558 billion
3. Results of operations in 2017:	
- Profit before tax:	VND 11,341 billion
- Income tax expense:	VND 2,231 billion
- Profit after tax:	VND 9,110 billion
<i>(Profit after tax recorded in the single financial report</i>	<i>VND 8,849 billion)</i>
+ Non-controlling interest	VND 20 billion
+ Net profit during the year	VND 9,090 billion

III. PLAN FOR THE 2018-2023 TERM AND PROPOSALS

1. Plan of the Supervisory Board for the 2018-2023 term

Pursuant to the Supervisory Board's functions and responsibilities, action plan by Vietcombank for 2018-2023 period, 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 business lines with large turnover/ expense/ income, main programs/projects and operational adequacy ratios of the Bank. In 2018, the Supervisory Board will focus on monitoring activities such as credit, treasury, investment, construction and asset purchasing, information technology, accounting and compliance to adequacy ratios; monitor the implementation of Basel II roadmap;

follow up the bank implementation of Supervisory Board's recommendations and performance of the bank's objectives and plans as well as its restructuring project approved by the State Bank of Vietnam;

1.3. Complete Internal Audit plan approved by SBV as well as ad-hoc audits required by SBV, Senior management; continue to apply the achievements of the Internal Audit Capability Improvement and Transformation project, aligned with best international practices and Basel II requirements on risk management and internal audit;

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 Board of Supervisors recommend to the General Assembly of Shareholders, the Board of Directors and the Board of Management:

2.1. Continue to restructure and tighten 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 set objectives of VCB restructuring plan to 2020 and SBV orientation;

2.2. Manage operating expenses along with the approved budget;

2.3. Actively implement the Bank Restructuring Plan approved by SBV;

2.4. Raise capital to improve the Bank capital adequacy ratio;

2.5. Enhance IT applications in services provision, strengthen the capability of IT systems, assuring IT safety and security in the bank activities;

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 apply projects, programs to improve governance capability;

2.8. Intensify internal controls and supervision to detect, warn and correct / prevent deficiencies in timely manner.

Based on the above assessment of the Bank's performance and financial results, the Board of Supervisors propose to the General Meeting of Shareholders to approve the

report on the VCB performance for the year 2017 submitted by the Board of Director and the Board of Management.

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

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

Trương Lệ Hiền