

ANNEX 02

Hanoi, ...April 2019

GOVERNANCE REPORT OF THE BOARD OF DIRECTORS OF VPBANK

I. Assessment of the BOM's Business Performance

2018 marked the beginning of VPBank's another five-year transformation 2018 – 2022 to realize the mission of becoming one of three most valuable banks in 2022 and one of the most consumer-friendly retail bank through technology. Under BOD's instructions and directions, BOM and all VPBank staffs have kick-started a very optimistic year, creating a stepping stone to fulfil the target for 2022.

Despite having to overcome some shortcomings to achieve better performance, VPBank attained the goal of becoming one of the top five private joint-stock commercial banks in terms of customer loans and deposits, top three private retail joint-stock commercial banks in term of of retail deposit and loan balance. More strikingly, VPBank topped private banks in terms of total operating income in 2018.

The BOD highly appreciates the efforts of the Board of Management (BOM) in successfully implementing such projects as YOLO, VPBank diamond, Banca AIA, SME Connect, and Women Entrepreneurs to create diverse products for customer segments and enabling the bank to grow.

The risk management system was improved to fully meet the requirements from the regulators and international standards. Collection performance was significantly improved thanks to the effort of all the staff and managers and the advanced and effective methods of debt reminder.

As regards human resource policy, VPBank set up professional management, recruitment and training policies, those focus on employees and creating best workplace, contributing to VPBank development.

The business ratios in 2018 did not reach the target committed to the AGM due to some objective reasons coming from the market factor, leading to the fact that the business forecast and operating execution somewhat remained passive. In addition, the borrowing demand for developing personal/corporate business activities was stagnant in the first nine months of 2018; In terms of consumer credit segment, VPBFC faced lots of difficulties in generating new customer data sources, that affecting the consolidated profit of the bank and other business/financial ratios. Nevertheless, considering the overall accomplishment in relation to the market business results, it can be seen that VPBank’s performance are comparatively good. At the end of 2018, VPBank’s total assets, which were VND 323,291 billion, reached for 90% of the plan and increased 16.4% yoy. Loan balance was VND 230,790 billion, increasing 17% year-on-year, and its growth of 95% of the plan was within the bank’s credit growth assignment by the SBV. Fund raising, including valuable papers, was up to VND 219,509 billion, delivering 91% of the plan. The bank notched a record high profit before tax of approximately VND 9,200 billion, accounting for 85% of the plan submitted to the AGM. VPBank was among the joint stock commercial banks with highest business ratios including ROA, ROE.

No	Indicator	Actual 2018 (VND bil)	Budget 2018 (VND bil)	Actual vs Budget 2018	Actual 2018 vs 2017
1	Total asset	323,291	359,477	90%	16.4%
2	Customer deposits and valuable papers issued	219,509	241,675	91%	9.9%
3	Credit to customers	230,790	243,320	95%	17.3%
	In particular: Loans to customers	221,962	229,148	97%	21.5%
4	NPL ratio of Bank single	2.4%	<3%		
5	Profit before tax	9,199	10,800	85%	13.1%

Given the above result, the BOD highly appreciated the efforts of CEO, BOM and all the staff in executing action plans to reach all the targets set by the BOD and the AGM.

II. Assessment of the BOD’s Performance

Performance of each member of the BOD:

Following the assigned activities of the BOD from the previous years, all members continued to develop their expertise based on their experiences to deploy assigned tasks and adjust the appointment, at the same time adjust their participation in appropriate boards and committees in

accordance with the managerial and operational reality of the Bank. Accordingly, the assignment of the Board members in 2018 was as follows:

- Mr. Ngo Chi Dung continued to be the chairman of the BOD and was responsible for planning and giving high-level instructions on the activities of the BOD and the BOD's meetings; preparing the items submitted to the AGM, supervising the execution of the resolutions of the AGM and the BOD. Mr. Dung also chaired Human Resource Committee and was a member of Risk Management Committee, directly giving instructions on the bank's strategic directions from time to time.
- Mr. Bui Hai Quan was a vice chairman of the BOD, and, in case of the chairman's absence, chaired meetings and led activities (if any) of the BOD or other councils/committees as per the chairman's authorization. Mr. Quan also chaired Risk Management Committee and was a member of Human Resource Committee.
- Mr. Lo Bang Giang was a vice chairman of the BOD, taking care of and representing the BOD in the South. Mr. Giang was also the chairman of VPBank Finance Company.
- Mr. Nguyen Duc Vinh was a member of the BOD cum the Chief Executive Officer of VPBank. Mr. Vinh also chaired ALCO and Executive Committee, and was a member of Human Resource Committee, Risk Management Committee, Credit Council and other committees and sub-committees.
- Mr. Nguyen Van Hao was an independent member of the BOD, sharing independent views on issues that need to be voted/consulted; he was also a member of Risk Management Committee.

Because the number of the BOD's members was quite small, they had to spend a lot of time and efforts on the BOD's activities, including organization of quarterly meetings (four meetings in 2018) and voting by ballot to execute the AGM's resolutions; supervising the BOM's activities. In 2018, the BOD approved the following:

Execution of AGM's resolutions and other tasks authorized by the AGM:

- ✓ Conducted procedures to raise charter capital by paying out 2017 share dividends and increasing charter capital from reserve funds for supplementing charter capital.
- ✓ Conducted procedures to repurchase preference shares as treasury shares.
- ✓ Conducted procedures to issue shares as per Employee Stock Ownership Plan (ESOP).
- ✓ Amended and issued/registered new charters.
- ✓ Amended and issued corporate governance mechanism; the BOD's structures and operating mechanism; mechanism of the Supervisory Board.

- ✓ Made decisions on changing the ownership stake of foreign investors in line with existent realities and the direction of the Bank as per the AGM's authorization.
- ✓ Acted in role of owner of the Bank's subsidiaries; approved financial statements and the profit allocation for subsidiaries; decided on raising the charter capital of VPBank Finance Company Limited (VPBFC). Decided on the appointment of new members for the corporate Member Council; and decisions on the big investments on the subsidiaries' activities and other related issues in line with law and internal documents of the bank/subsidiaries.

Gave approval for 2018 business directions, plans and budget and decisions on big investments and procurement as per authorization, and made approval for adjusted directions, policies and organizational structure in alignment with the Bank's business and risk management status

- Approved the periodic reports of the Board of Management, directions and policies of the Bank on a monthly, quarterly, and semi-annually basis and specialized reports of the Bank's key operations in each period.
- Approved business results in the first half and the whole year of 2018, and directions of major policies in alignment with the Bank's current situation and the market conditions.
- Approved proposals for asset sale/purchase, credit extension, investment and projects/units' budget which exceeded approval limits of the Bank's councils and committees
- Made decision on some proposal of the Board of management when implement some big projects relating to the business development and the IT and operations system for the bank.
- Made decision on restructuring headcount, and made amendment and implementation to some operations mechanisms of certain organizations such as Credit Committee, Debt Resolution Council, Risk Management Committee, etc.
- Amended and issued some regulations and policies on the business and risk management activities such as regulations on credit guarantee; the operational mechanism of the market risk management committee; regulations on the asset quality assessment and the capital adequacy ratio of the bank; regulations on anti-money- laundering methods; Regulations on the saving money; regulations on information announcement and disclosure; Regulations on factoring; Regulations on the preferential staff loans; Regulations on the financial rules; regulations on VPBank asset management; regulations on liquidity provision; regulations on card issuance and payment; regulations on procurement;
- Made approval for the changes of organizational structure; incentives; recruitment and labour policies as per Human resource committee's consultancy.

Supervisory activities of the BOD over CEO and the BOM:

- Attended monthly executive committee meetings of the Board of Management (12 periodic meetings)
- Supervised the Bank's activities through daily, weekly, monthly, and quarterly business performance reports and other reports or proposals arising from the Board of Management.
- Supervised and approved the resolution of issues noted in reports on activities of units from the Supervisory Board and Internal Audit.
- The BOD also supervised the CEO and the Supervisory Board by attending meetings and reviewing the reports and resolutions of Councils and Committees under the BOD in each specialized operational area (assets/liabilities management, credit, risk, HR, etc.).

III. REMUNERATION FOR THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

According to the policy approved by the AGM, the remuneration for the BOD and the Supervisory Board shall be 1% of the annual consolidated profit before tax. Given the profit before tax of VND 9.2 trillion in 2018, the remuneration limit/budget for the BOD and the Supervisory Board shall be around VND 92 billion. In 2018, the total expenditure on remuneration and activities of the members of the BOD and the Supervisory Board was nearly VND 20 billion. More specifically, VND 11.2 billion was spent on remuneration, whereas nearly VND 9 billion was for the activities of the BOD and the Supervisory Board as per VPBank's internal regulation on expenditure issued from time to time, such as travel, conferences, training, vehicles, health insurance, periodic health checks, etc.

For 2019, the proposed remuneration for the BOD and the Supervisory Board is reduced to reflect actual expenditure. It is proposed that the AGM approve the allocation of 0.5% of profit before tax as the operating budget for the BOD and the Supervisory Board (including remuneration for the BOD and the Supervisory Board and other business-related expenses in accordance with the bank's regulations.)

IV. Councils and committees under the Board of Directors

1. Human Resource Committee

The Committee held monthly meetings and collected opinion in written form to regularly review, examine and tackling issues related to organizational structure, headcount and incentives. The resolutions of Human Resource Committee in 2018:

- Reviewed and gave monthly directions on human resource ratios and the monthly activities of HR Division and other member companies in a timely manner.
- Approved action plan for 2018 of HR Division; approved KPI of 2018 for senior managers (from Divisional heads to the top)
- Advised the BOD on the approval of recruitment, appointment, demote, removal and salary adjustment for managerial positions.
- Approved incentives/ Sales contest for business units.
- Advised the BOD on the restructuring of Credit Card Loan Handling Department, establishing Operating Supervisory Department for VPBank AMC, and the restructuring of Wholesale Banking Service Centre, Operations Division; IT Services Operation Centre (IT Division), etc.
- Advised the BOD on updating the organizational structure/operational mechanism for Risk Management Division and VPDirect; Legal and Compliance Division; Internal Audit Division; Finance Division, etc.
- Advised the BOD on appointing two more Deputy CEO, so there is one CEO and ten Deputy CEO of the BOM in total; and making changes/implements to the members of Members Council of VPBFC.
- Reviewed and adjusted bankwide periodic salary 2018.
- Updated collective labour agreement.
- Revised and issued staff performance management regulations and assess the staff performance in 6 months and the whole year 2018.
- Advised the BOD on the list of employees accepted to join Employee Stock Ownership Plan, and specific regulations for those employees.
- Approved the incentives budget and the allocation plan in 2018.

2. Risk Management Committee (RMC)

2018 marked various achievements of the RMC. Under the RMC's scope of authorization, the Committee supervised the whole bank risk management activities and approved many risk management proposals, helping the BOD to manage risk effectively. The RMC also supervised and monitored the implementation of risk appetite statement 2018, ensuring necessary steps to monitor, manage and report any existing and arising critical risks. Other risk issues (e.g. risk limit, risk model, risk tolerance examination, etc.) were also discussed, that helped rapidly reduce risk and set up appropriate solutions (if needed) in line with the bank's risk appetite statement, risk management legal document and the bank's strategic business targets.

In 2018, the RMC held 4 quarterly meetings on January, May, August and November. The Committee discussed base on the risk report given by Risk Management and provided appropriate instructions to related functions to make necessary adjustment and improvement to the monitoring of areas with critical risk exposure. Some highlights are as follows:

- By issuing top-down risk limit in 2018 and approve the proposal to apply some new risk management models, the RMC agreed on improvement policy on the risk appetite frame of the bank, and the risk limit system to truly reflect the bank's risk situation.
- The RMC agreed on approving the issuance of significant risk policies enhancing risk tolerance examination and institutional customer risk management and operating risk management. Upon the approval of the RMC, the bank applied the appropriate execution of assessment method in line with requirements from IFRS.
- The RMC agreed on approving the risk improvement plan of some specific products.
- The RMC also agree on building a communication campaign for fraud prevention and reduction in order to further strengthen awareness and culture of fraud prevention.

V. Report on changes in equity capital and treasury shares

1. Changes in equity capital (Charter capital)

In 2018, VPBank raised its charter capital in two phases as follows:

Phase 1: Charter capital was raised from VND 15,706,230,150,000 to VND 24,962,728,720,000 by distributing shares dividends and bonus (not for preference dividend shares/treasury shares), up to 61.817%. Detail as below:

Dividend shares 2017 were VND 4,524,703,870,000, equivalent to 30.217%

Bonuses from charter capital were VND 4,731,794,700,000, equivalent to 31.60%

Phase 2: Charter capital was raised from VND 24,962,728,720,000 to VND 25,299,679,660,000 by issuing shares under the Employee Stock Ownership Program with the total issuance value of VND 336,950,940,000 equivalent to 33,695,094 shares with issuance value equals to par value.

2. Private placement plan

In the plan for raising charter capital in 2018 approved by the AGM, VPBank aims to make further private placements with local and foreign investors up to 15% of total common shares at the time of issuance. Hence, the BOD made preparations for the issuance, including working with a consultancy, broker, etc. Nevertheless, due to adverse developments in the stock market from Q2

until now which have impacted the bank's share price, the BOD has put this plan on hold until opportunities arise, thus issuing shares at more reasonable prices in the best interests of the bank and shareholders.

3. Reacquisition of Shares as Treasury Stock

In 2018, VPBank completed buying back 73,219,600 dividend preference shares, which has now become the bank's treasury stock.

The treasury stock can be distributed equally to existing shareholders, put up for preferential sales/given to employees as bonus, or sold to new investors at prices higher than par value to earn share premium for the bank. Thus, in spite of the initial plan of distributing the aforementioned treasury stock to existing shareholders as per the resolution of the AGM in 2018, the BOD is now considering making private placements with investors or selling to employees at preferential prices under ESOP to raise the bank's charter capital.

VI. ORIENTATION 2019

Business orientation 2019

VPBank has set an ambitious target of becoming the most consumer- friendly technology- driven bank and among Vietnam's top 3 most valuable banks by 2022. In 2019, VPBank will strive to achieve its targets, i.e. among the top 5 private joint-stock commercial banks in terms of customer loans and deposits, top three private retail joint-stock commercial banks in term of of retail deposit, loan balance and retail customer base.

Accordingly, VPBank's Board of Directors has cascaded a number of business orientations in 2019 to Board of Management as follows: Closely scrutinize the movements of macroeconomic and financial market; instruction and guidance by the State Bank of Vietnam to manage business activities in a proactive and agile manner. With regard to total asset growth, VPBank will sharpen its focus on quality-growth action plan, policies, and guideline, business / operation initiatives (leveraging asset, deposit, customer and operation quality, together with volume growth):

- Maintain higher efficiency and volume growth than market average.
- Improve cost efficiency via such initiatives as cost control, improved productivity, organization review to reduce duplication and enhanced operation efficiency.
- Strengthen and upgrade technology and business support system towards centralization, automation, digitization and process simplification.

Below are consolidated financial and business indicators in 2019:

NO.	Items (VND bin, %)	2019 Plan	% Growth
1	Total assets	373,649	16%
2	Deposit from customer and valuable paper issued	252,435	15%
3	Credit to customers	265,408	15%
4	NPL (bank single)	< 3%	(N/A)
5	Profit before tax	9,500	Increase 3% compare with 2018 (if exclude one off income from insurance, PBT will increase 14% compare with 2018)

Corporate governance and investor relation:

VPBank will continue to complete its corporate governance system, information disclosure/transparency and investor relation activities in line with best international practice, to bring about long-lasting benefits to the shareholders and enable better knowledge and access to the bank for investors.

Given positive changes in VPBank's corporate governance over the past few years, VPBank was recognized by IFC as one of Vietnam's most three successful companies in corporate governance. VPBank was also recommended to a membership in Platinum program by Vietnam Institute of Directors (VIOD, an independent organization founded by Ho Chi Minh Security Exchange and Hanoi Security Exchange and IFC to promote high standards and good practice in corporate governance for Vietnam's private enterprises)

Accordingly, in 2019 VPBank will participate in VIOD's Platinum program and receive multiple privileges. VPBank's BOD members will be entitled to advanced governance programs, annual corporate governance conferences and partnership promotion forums to further enhance their professionalism, expertise and role as well as improve corporate governance with best practice.

Additionally, regarding shareholder/ investor relation activities, VPBank has developed a full-year plan for periodic information-sharing conference and meeting to further promote information transparency and bank-investor interaction.

Recipients:

- Valued shareholders
- BOD. Supervisory Board

pp. BOARD OF DIRECTORS

CHAIRMAN

(signed)

Ngo Chi Dzung