

**REPORT OF VPBANK SUPERVISORY BOARD
AT 2017 ANNUAL GENERAL MEETING**

Attention: VPBank's shareholders

- Pursuant to VPBank's Charter
- Pursuant to Regulation on organization and operation of VPBank's Supervisory Board
- Pursuant to VPBank's performance, report of VPBank's Board of Directors, Board of Management and performance of Supervisory Board in 2017,

Supervisory Board would like to report to the AGM as follows:

I- SUPERVISORY BOARD'S ACTIVITIES IN 2017:

By December 31, 2017, the Supervisory Board has three members, two of whom are full-time. Internal Audit Division is subordinate to Supervisory Board.

Pursuant to legal regulations and VPBank's regulations, Supervisory Board has implemented and completed its duties in 2017. Some main activities of Supervisory Board are as follows

1. Supervising the compliance with applicable law and VPBank's Charter on governance and operation:

The supervision has been carried out regularly and systematically from the Bank's head office to its branches and subsidiaries. Supervisory Board is responsible for supervising VPBank's governance and risk management in key or high-risk areas, supervising the implementation and compliance with the regulations on safety of banking operations in accordance with Law on Credit Institutions.

With the supervisory results, Supervisory Board has identified the shortcomings during the Bank's operation, timely made recommendations, consultancy to Board of Directors (BOD) and Board of Management (BOM) about the methods to strengthen control, as well as amend/supplement internal regulations to mitigate risks, ensure the compliance with legal regulations, and improve performance and efficiency.

It can be seen from the supervisory results that BOD and BOM have steered VPBank's business activities in line with the objectives, resulted in remarkable performance in business indicators; and that BOD and BOM have complied with applicable law and VPBank's Charter in governance and management.

2. Supervising the implementation of AGM's resolutions

Supervisory Board monitored BOD and BOM in implementing 2017 business orientations and targets of VPBank as approved by the AGM and regularly monitored the implementation of business targets assigned by BOD and BOM to all units across the Bank's system to achieve the AGM's targets.

By participating in regular meetings of BOD, Supervisory Board captured the situation and promptly made proposals and recommendations to BOD in the governance, management, as well as supported BOD in providing timely guidance to all VPBank's units.

3. Conducting internal audit (IA)

In 2017, Supervisory Board steered IA to strengthen internal audit and monitoring. Besides compliance, IA also conducted specialized audits on information technology, risk management, CAR, project budget and progress, product issuance and management, and bank-wide internal audit system. Supervisory Board officially approved 87 audits to be conducted by IA. IA conducted audits in accordance with the plan on field audit and remote monitoring.

IA promptly identified shortcomings and recommended to supplement and amend the internal regulations, review the existing issues in the system and take remedial actions after the audit. Under the strict guidance of BOD and BOM, VPBank's units and subsidiaries have actively made amendment after the audit to mitigate the risks for VPBank.

In addition, Supervisory Board also allocated IA resources to assist the SBV in periodical legal audit in Q4/2017, and cooperated well with BOD and BOM to work with inspection teams from the authorities including the SBV, Hanoi Tax Department, etc. The supervisory results shows that VPBank and its subsidiaries have fully complied with the law and fulfilled tax obligations in accordance with legal regulations.

4. Other activities in accordance with the AGM and the law:

Supervisory Board held periodical meetings and assigned tasks to its members in accordance with the regulations on the basis of promoting the capability and qualification of each member. In 2017, Supervisory Board members have completed their assigned tasks.

Issuing internal regulations: In 2017, Supervisory Board reviewed all documents related to the Board's activities to be in line with new regulations as well as practical activities of VPBank. The Board issued Document No.74/2017/QĐ-BKS dated October 31, 2017 on Internal regulations of VPBank's Supervisory Board.

In accordance with the Law on Credit Institutions, Supervisory Board has audited VPBank's mid-year and year-end financial statements to evaluate the honesty and reasonableness of the financial data reported to the AGM in accordance with the law and internal regulations.

Human resources: Supervisory Board standardized the title system and standards of IA. The Board recruited experts and constantly recruited during the year to build a high performing internal audit team of VPBank.

Training: To improve the capability and professional ethics for auditors in the system, Supervisory Board instructed to organize training courses with internal and external trainers about IT audit, new legal document policies, etc.

II- RESULTS OF SUPERVISING VPBANK'S ACTIVITIES IN 2017

1. Supervising financial statements:

Owing to its responsibilities and powers, Supervisory Board periodically appraise VPBank's financial statements audited by Ernst&Young Vietnam. Accordingly, VPBank's financial statements as at December 31, 2017 is honest and reasonable. On key areas, business performance and cash flows of the fiscal year ended on the same day in accordance with Vietnamese Accounting Standards and Vietnam Generally Accepted Accounting Principles. Key financial indicators are as follows:

Item	Actual 2017 (billion VND)	Target 2017 (billion VND)	% target 2017 fulfilled	% growth yoy
Total assets	277,752	280,645	99%	21%
Customer deposits (including valuable papers issued)	199,655	217,732	92%	16%
Loan balance	196,673	200,591	98%	24%
Including: <i>customer loans</i>	182,666	182,433	100%	26%
NPL ratio (Circular 02)	2.9%	<3%	Completed	
Profit before tax	8.130	6,800	120%	65%

Source: audited consolidated financial statement

2017 financial results shows that the financial targets approved by the AGM, including owner's equity, charter capital, deposits, loan balance, NPL ratio, profit before tax, have basically fulfilled and surpassed the target.

2. Governance and management:

2.1 Governance:

VPBank's Board of Directors (BOD) consists of five members (one Chairperson, two vice chairpersons, one member and one independent member), ensuring the personnel structure in line with the law and VPBank's Charter ("Charter").

According to Supervisory Board's results, BOD has conducted its functions and tasks in accordance with the law, VPBank's Charter, and Resolutions of the AGM in 2017 as follows:

- + Conducted functions and duties in accordance with the law and VPBank's Charter, including assessing 2012-2017 strategy implementation, developing VPBank's strategy for 2018-2023; issuing internal regulations on corporate governance, policies and mechanism for VPBank's business and management; directing and supervising BOM to implement and complete the business plan in 2017 in accordance with the law.

- + Implementing and completing 2017 AGM resolutions: Directing BOM to implement and complete 2017 business plan, profit before tax reached 120% of the target (consolidated statements). Completing IPO and listing on HoSE; remuneration and budget of BOD and Supervisory Board in accordance with approved AGM resolutions.

- + BOD held regular meetings in accordance with VPBank's Charter and Regulations on BOD's operation.

To manage effectively and avoid overlap, BOD assigned and authorized for councils and committees, including Human Resource Committee, Risk Management Committee, Credit Council Investment Council, Assets – Liabilities Council, Executive Committee, Operational Risk Management Committee, Credit and Debt Collection Committee.

Resolutions, decisions, regulations and policies issued by BOD relating to the Bank's operations are in accordance with legal basis as stipulated by the law and the Bank's regulations. BOD's activities in 2017 were in line with the law and Charter, maintaining the achievements in the previous years and fulfilled the requirements for the Bank's activities and development.

2.2 Management:

In 2017, based on the instructions of BOD, BOM implemented resolutions of AGM and BOD in line with the law and Charter. Business indicators in 2017 were close or surpassed the targets. Total assets fulfilled 99% of the target with VND277,752 billion; loan balance fulfilled 98% with VND196,673 billion, of which loans to customers reached the target; NPL ratio was controlled at 2.9%, lower than the target of 3%; Profit before tax reached VND8,130 billion, higher than 2017 target by 120%.

BOM also completed five-year strategy (2012-2017), reviewed and evaluated strategy implementation to prepare for the development of strategy for the next five years (2018-2023). VPBank's prestige and brand have been increasingly enhanced.

In 2017, BOM also worked with the SBV's Banking Supervision Agency, Tax Inspectorate, Ministry of Finance, Securities Commission. Business activities of VPBank and its subsidiaries complied with the law, and there were no high risk issues affecting the Bank's business performance. Taxation duties were fulfilled.

3. Collaboration with Supervisory Board:

BOD, BOM and Supervisory Board collaborated well in supervising, inspecting and controlling to ensure that Supervisory Board fulfilled its duties in accordance with the law, the Charter and Regulation on organization and operation of the Board. Opinions and recommendations of Supervisory Board and Internal Audit at the meetings were acknowledged, supplemented and amended by BOD and BOM.

In addition to the above-mentioned achievements in 2017, it should be noted that:

- Investment in information technology and resources was slow and not quite effective
- Customer service quality gained attention via centralized management but was inconsistent and needs to improve significantly.

III- ORIENTATIONS AND RECOMMENDATIONS FOR 2018

1. Supervisory Board's orientations in 2018

Based on the functions and duties of Supervisory Board and orientations of the Bank in 2018, Supervisory Board focuses on main tasks as follows:

- 1.1 Continue strengthening and improving supervision on the compliance with the law, the Charter and AGM resolutions in governance and management.
- 1.2 Appraise mid-year and year-end financial statements in accordance with the law.
- 1.3 Conduct internal audit in accordance with the plan registered with the SBV; Review and inspect the performance of line of defense 1 and 2. Independently and, objectively assess the adequacy, effectiveness, and efficiency of internal control system.
- 1.4 Improve IA capacity as required by Basel II; Leverage information technology in VPBank's audit management; Review and update internal regulations on audit; standardize audit methods and tools as per IIA.
- 1.5 Recruit more staff, train members of Supervisory Board and Internal Audit to improve their skills in accordance with CIA certification. Recruit more auditors, especially IT auditors.
- 1.6 Perform other duties as stipulated by applicable laws and VPBank's internal regulations.

2. Recommendations

Supervisory Board would like to make recommendations as follows:

- 2.1 Consolidate the Bank's organizational structure to effectively implement 2018-2023 strategy;
- 2.2 Continue strengthening and consolidating internal control system at all levels to ensure that risk management activities keep up with the Bank's growth rate and market development. Strengthen supervision and improve the system for detecting potential risks in banking activities to give early warning and to take timely remedial and preventive actions.
- 2.3 Continue improving corporate governance capability, transform mechanism and policies on business, human resources, delegate authority in operations to promote business;
- 2.4 Continue structuring and control credit portfolio to ensure that portfolio structure and credit quality meet the objectives; apply credit control to match with credit growth target and credit control measures as per orientations. Limit and control credit concentration level, credit limit in potential risk areas, ensure safety and efficiency in operation;
- 2.5 Strictly manage operating expenses according to plan.
- 2.6 Ensure progress of the projects, especially IT projects;
- 2.7 Strengthen IT applications in service delivery, enhance capability of IT system, ensure safety and security of the system;
- 2.8 Continue reviewing and improving the Bank's regulations in line with applicable legal documents and changes in business objectives;

We would like to express our sincere gratitude to Shareholders, Board of Directors, Board of Management and all VPBank staff for creating favorable conditions for us to conduct our tasks in accordance with the law and regulations, as well as to complete the duties entrusted by the Shareholders.

Recipients:

AGM;

BOD members;

Supervisory Board (for filing).

**P.P. SUPERVISORY BOARD
HEAD OF SUPERVISORY BOARD**

Ngo Phuong Chi