

REPORT OF THE SUPERVISORY BOARD ON THE FINANCIAL SITUATION OF 2010

- Base on The Charter approved by the General Meeting of Shareholders ABBANK dated March 24, 2010.
- Based on the Regulations of the Supervisory Board of ABBANK;
- Base on the Work plan for the year 2010;

The Supervisory Board reports in the face of General Meeting of Shareholders ABBank:

The Supervisory Board ABBank includes 5 members (of which 3 members in charge and 2 non-regular members). During 2010, the Supervisory Board completed missions listed in Regulations of ABBank:

- Supervising the compliance with Laws and the Charter of ABBank in managing and monitoring the Bank's activities.
- Promulgating internal regulations of the Supervisory Board, Internal Audit Department; monitoring internal audit, assess the Internal Control System of ABBank
- Evaluating financial statements in 2010 of ABBank
- Implementing unscheduled inspection if the request arises
- Other tasks defined by the Charter of ABBank and the Law

Performance of those tasks as follows:

I. Performance of supervising compliance with Law an Charter of ABBank.

1. Overall assessment

In 2010, despite the fact that Vietnam achieved 6.78% economic growth, potential insecure still arisen with high inflation at the end of the year. Confronted with this situation, the Board of Managers and the Board of Directors followed closely macroeconomic policies guided by the Government and the real economic situations to give out suitable solutions. Managing and directing business activities achieved satisfactory results, achieved target of development and effectiveness. Total assets of the Bank reached 38,015 billion VND, increased 43.3% compared to 31st December 2009, exceeded 3.8% the 2010 plan. Credit growth reached 54% compared to 31st December 2009, in compliance with result of the bank's network development. ABBank always guaranteed it's liquidity capacity, proactively supervised foreign exchange position, took advantage of business opportunities to maximize profit. Profit before tax in 2010 achieved 637.6 billion VND, increased by 54.5% compared to 2009.

2. Evaluation of specific activities:

- Credit operations: total outstanding loans for customers reached 19.876,89 billion VND. Despite of high growth, the ratio of non-performing debt (NPN) was only

1.16%, lower than the plan approved by General Meeting of Shareholders (1.45%). In 2010, ABBank focused strictly on credit development and credit management. For safe and effective credit operations development, guidance documents and processes of credit operations has been updated and supplemented in time. However, 2011 is going to be a big challenge for credit activities in keeping stable bad debt ratio.

- Capital mobilization activities: achieved 25.952 billion VND, surpassed 8% of the plan.

Individual capital mobilization: with flexible retail products, individual capital mobilization grew 61% compared to 2009. This is sustainable development direction of ABBank which has strategic development as a retail bank

Corporate capital mobilization: deposits of economic organizations grew 55.9%, focusing on non-state owned enterprises

- Capital management and foreign exchange operations: the Bank has been active & flexible in the work of capital management and foreign exchange to ensure for proper balance of payments, satisfy requirements of strategic customers and maximize profit of the Bank. The safety ratios required by the State Bank were managed appropriately within permissible limits
- Financial accounting: the financial accounting of the Bank was strengthened and enhanced properly with development of ABBank. Generally, finance management and accounting work was recorded according to “true & fair” principles. Financial statements of the Bank were audited by prestigious independent audit company. The disclosure of financial information was performed according to SBV regulations. However, it is necessary for the Bank to release accounting policies, to ensure consistency entire ABBank.
- International payments: despite the fact that ABBank is not one of the banks with proportion of international payments hold the majority of market share, ABBank has step-by-step developed in this segment. Turnover from international payment reached 883 million USD, exceeded 22% of the plan, surpassed 104% compared to 2009. The service fee income was 3.54 million USD, exceeding 136% of plan and increased 120% to 2009.
- Financial investment: In 2010, the Bank established Asset Management company (AMC) with chartered capital 200 billion VND. Financial investment activities of the Bank complied the Law entirely.
- Information technology: Board of Managers always took interested in developing information technology with the aim of supporting ABBank business and management. The Bank developed relatively modern IT infrastructure with centralized data management (Data center), Department Reserve, LAN system, WAN system, Corebanking – T24, ATM card and other systems.

On the other hand, the Bank has itself developed other applications such as: credit rating program, VNPost connection, Management Information System. In 2010, the Bank had great efforts in systems management, software applications development on T24, assets security for both the Bank and the customers, the Law

and regulations of Vietnam State Bank compliance. However, IT activities of the Bank still need further investment and improvement, especially perfections of system management, such as: publishing detail processes, stipulating physical security for operation and safety at DC, managing access connection, preventing disaster and recovering.

- Network development branches and sub-branches: the total ABBank network at 31/12/2010 was 115 branches, Sub-branch and Saving funds in 28 cities/ provinces (1 main-branch, 20 branches, 89 sub-branches, 5 Saving funds). During 2010, ABBank network was extended as follows: 1 brand new branch, 5 new branches upgraded from divisions of transaction, 24 new branches and 4 saving funds
- Other activities: fulfill the other duties prescribed by the Law:
- The Supervisory Board participated in checking the work of listing founder shareholders, shareholders who own crucial shares of ABBank; periodically checked activities of those shareholders, member of Board of Managers, the Supervisory Board, involved people.
- In 2010, the Supervisory Board composed and presented General Meeting of Shareholders regulation of organizational structure and activities of the Supervisory Board of ABBank

3. Inspect and evaluate safety indexes of ABBank activities and other prescriptions of State Bank:

- In 2010, the Supervisory Board regularly reviewed the indexes according to the prescriptions of State Bank about ratios of safety in the operations of credit institutions, especially when State Bank applied Circular 13/2010/TT-NHNN from 1/10/2010
- Other items should be taken interest based on Law of Credit Institutions.

Article 77: Person not eligible for loan extension: ABB does not lend objects of the 77th.

Article 78: Credit restriction: No violation

Article 79: Limits on amount of loans, guarantees

31/12/2010 basis outstanding, the percentage of total outstanding loans to customers with the highest one: 8.52% ABB's own capital (not exceeding 15% - no offense).

Pursuant to the outstanding loans and guarantees on 31/12/2010, the percentage of total outstanding loans and guarantees to a customer is the highest 18.66% (not exceed 25% - no offense)

Article 80: Limits on capital contributions and shares purchases:

Pursuant to the capital contribution and share purchase 31/12/2010, the highest level of capital contribution in an enterprise is 10% (lower than 11% - no violation)
The total contribution of capital to buy shares in all enterprises is 19.32% of charter capital of ABB (less than 40% - no offense)

Article 81: prudential ratios

Capital adequacy ratio of at least 14.89% (greater than 9% - no offense)

The Liquidity ratio : Minimum Assets / Liabilities Assets: 61.5% (higher than 15% - no offense)

The maximum ratio of short-term funds are used for medium to long term outstanding loan is 5.25% (less than 30% - no violation)

Article 82: Provision:

Comply with the provisions of SB (493/2005/QD-NHNN decision dated 22/4/2005 and 25/4/2007 18/2007/QD-NHNN decision.

ABB uses reserves to handle the credit risk is: 8,606,968,911 dong.

Article 88: Investment in fixed assets purchased: full rate of fixed assets compared with equity capital: 15.46% (less than 50% - no violation)

- Quarterly, the Supervisory Board assessed reports of making and using provision for credit risks in entire ABBank

II. Perform directly guidance the work of internal audit, internal control system

1. The organization of Internal Audit

- Implementing the Decision 18/QD-HDQT.10 of the Chairman on plan for Internal Audit strategy
- Until 31 December 2010, Internal Audit Division had 17 people: 01 Head of Internal Audit, 02 Deputies Head of Internal Audit, 11 auditors, 02 IT auditors and 02 audit assistants. All Internal Auditors signed the commitments to comply with the rules of professional ethics and building codes of conduct for auditors.
- In 2010, there have made two separate training courses for Internal Auditor to increase the basic knowledge of audit methodology-oriented risks, auditing techniques for bank, supplement and sharing experiences for auditors.

2. Directing internal audit activities

a. Results of the audit plan:

In 2010, Internal Audit carried out 18 audit jobs, completed adjusted plan and implement the extraordinary request of the Supervisory Board and Board of Directors:

- Audit the financial statements in 2009.
- Audit 1 main-branch and 9 branches.
- Audit 4 departments (Public affair, Human resource – Market risk management - Treasury).
- Audit 2 divisions (Investment - General Admin, Network Development Department).
- Audit 1 International Payment Center.

b. Assessment of the quality of Internal Audit:

In 2010, Internal Audit actively fulfilled the duties under the plan and possible participation of unexpected tasks assigned by the Supervisory Board and Board of Directors.

- Internal Audit Department made recommendations have value added to audited units. Total of 250 recommendations (124 H, 111 M, 15 L). Recommendations following up monitoring: 30 overdue recommendations (23 H, 7 M) in the accounting department, HR and IT were moved to Broad of Management for more strictly implemented.
- Auditor team is new and insufficient as well as not equal in knowledge and experience of professional auditing, but with the strategic direction of the Board of

Directors, the close guidance of the Supervisory Board, internal audit activity in 2010 was considered effective and positive.

c . Evaluation of Internal control system:

- Internal control system:
 - Completeness: the processes and regulations system have been improved gradually by efforts of entire bank, especially the business units. This system have been usually supplemented and updated suitably with the current situation and the development of the Bank. Decentralized authorization mechanism is clear and coherent. Functions, duties, responsibilities of units in the Bank were prescribed specifically, become basis for building check-points effectively. The Bank also developed mechanisms to monitor control activities through error reporting system, through Internal Audit Department
 - Efficiency: the business processes, the check-points were built on the basis mechanism to ensure the cross-checking between units and individuals who together participate in one process; attached importance to separation between proposal, approval and operation to strengthen supervisory, reduce risk. Besides, rules for risk limit (cash balance limit, transaction limit, approval limit, etc.) were established specifically for each units to improve efficiency of Internal Control System

On the other hand, the Bank needs to enhance quality of Internal Control System according to risks which have occurred to minimize losses for the Bank.

- Information report system: to support for the work of management and supervisory, the Bank developed numerous models of report in all segment of operation, especially the Bank has invested in Management Information System. Currently, reports of the Bank have been automated. Nevertheless, the work of improvement and exploitation information for management and assessment units' activities need more proper investments for both quality and quantity of human resource
- Risk management system: with the support for technology from Maybank, ABBank developed risk management model contained 3 layers. The Bank also issued identification process and risk analysis; developed the policies, regulations of risk management and solutions for risk reduction on credit risk, market risk, operational risk segments. However, to achieve effectiveness, risk management operation should be trained properly to enhance awareness to each units of the Bank

d. The limitations and shortcomings of internal audit

Recommendations from internal auditors should be directed strictly by Managers and be followed thoroughly by departments; especially overdue recommendations from units of HO.

Auditing results and the status of implementation should be one of the criteria for the ranking of branches and HO departments.

Besides, Internal Audit Department need investment, training to enhance ability and bring higher value for the Bank.

III. Evaluation of ABBANK reports

The Supervisory Board evaluated financial statements in 2010 of ABBank and agreed as follows:

Financial statements in 2010 were established according to Vietnam Accounting Standard and the Decision 16/2007/QD-NHNN on 18/4/2007 of State Bank, with regulations for financial statements of financial organization. Financial statements in 2010 of ABBank reflected properly and truly the main points in financial, business operations and business performance on 31/12/2010 of the Bank

The figures of capital and assets at 31/12/2010 and the consolidated business results of the Bank group as follows:

		Unit: billion VND
1	Total assets	38,015.6
2	Equity	4,652.2
3	Business results	-
	Profit before tax	661.4
	Income tax	160.2
	Profit after tax	496.1
	(Profit after tax of the Bank)	477.4
	Benefit of minority shareholders	-
	Net profit	637.6
	ROE	13.8
	ROA	2.0

IV. Missions for 2011 and recommendations

1. Missions for 2011

Base on missions of the Supervisory Board and direction of the work of the Bank in 2011; in order to ensure for safe, effective activities of the Bank; the Supervisory Board focuses on supervising activities as follows:

- Focus on monitoring credit operations (quality assessment, monitoring after loaning, bad debt recovery, credit management through entire system and so on); capital and foreign currency operations (monitoring compliance with basic interest rate regulations, capital business, foreign currency management, foreign exchange, etc); monitoring of retail banking activities, supervising development of the Bank's Information Technology.

- Evaluate financial statements of the first 6 months and financial of entire 2011, verify monthly, quarterly reports of the Bank.
- Organize, direct and participate in internal audit work. Implement risk-oriented internal audit jobs. Focus on audit jobs of big branches, departments and the Center of Head Office.
- Strengthen human resources for Internal Audit Department; consolidate Supervisory Board. Educate, improve working ability for both Supervisory Committee and Internal Audit Department. Develop information technology supported for audit and supervision jobs.
- Implement sudden tests in order to discover weaknesses, and consolidate activities of the Bank, aim to better results.

2. Recommendations:

- On the basic of presented contents, Supervisory Committee recommends with General Meeting of Shareholders, Board of Manager, Board of Director:
- Enhance capital mobilization, especially mobilizing from community, ensure liquidity, ensure safe ratios of Bank activities.
- Enhance credit management, reduce bad debt ratio, attend to CAR index for more efficient business operations.
- Strengthen efficiency of bad debt recovery and treatment. Recover handled-debt from Provision for credit risk Fund.
- Improve the effectiveness of Internal Audit Department, perfect Manage risk system to detect and prevent potential risks.
- Develop human resource management, educate and attract talents to contribute for ABBank.

**ON BEHALF OF SUPERVISORY BOARD
HEAD OF SUPERVISORY BOARD**

NGUYỄN THỊ HẠNH TÂM