

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

Address: 198 Tran Quang Khai, Hanoi
Business Registration No. 0100112437
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**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

Hanoi, April 28th 2022

**REPORT OF THE SUPERVISORY BOARD
ON OPERATION IN 2021 AND 2022 ORIENTATION**

The Supervisory Board (SB) hereby submit the report to 2022 Annual General Shareholders' Meeting (AGM) with the following contents:

I. PERFORMANCE OF THE SUPERVISORY BOARD IN 2021**1. Organization and operation of the Supervisory Board in 2021****1.1. The Supervisory Board's organizational structure and personnel**

From Jan 1st 2021 to Dec 31st 2021, the Supervisory Board of VCB includes 03 (three) members: Mr. Lai Huu Phuoc – Head of the Supervisory Board and two members including Ms. La Thi Hong Minh and Ms. Do Thi Mai Huong.

There are units under the Supervisory Board: The Internal Audit Department (in Head Office and Southern Office) and the Operational Supervisory Department.

1.2. The Supervisory Board's meetings – Findings and Recommendations:

In 2021, the Supervisory Board held periodically meeting sessions in order to discuss, take into consideration to approve the scope of work relating to the Supervisory Board's functions and duties, including: summary on performance in 2020 and performance orientation in 2021; selection of independent auditing firm for VCB financial statements and internal control system in FY2022; the Supervisory Board's appraisal on 2020 financial statements and the Supervisory Board's report content in 2021 AGM; assessment on preliminary performance of the Supervisory Board in quarterly/semi-annually basis and the Supervisory Board's orientations for the next period; implementation of tasks relating to the Supervisory Board's personnel. The Supervisory Board's meeting sessions, summoned by the Head of the Supervisory Board, have been fully participated by all of the Supervisory Board's members. Meeting minutes have been well made and filed in line with the regulations.

Additionally, the Supervisory Board has held monthly internal meetings to bring issues into discussion which are relating to VCB's governance and business management via operational supervisory and auditing result, as well as evaluate the performance of the Supervisory Board's members and functional departments.

Based on supervisory results, the Supervisory Board has given opinions, proposals and recommendations to the Board of Directors ("BOD"), the Board of Management ("BOM") to enhance supervision, risk mitigation, compliance with legislation, VCB Charter and other internal regulations, contributing to the improvement of quality, operational effectiveness as well as safe and sustainable development for VCB.

1.3. Operational results of the Supervisory Board members; remuneration, operational expense and other benefits of the Supervisory Board:

In 2021, the Supervisory Board has fully carried out functions and duties in line with regulations stated in VCB Charter, Regulations on the organization and operation of the Supervisory Board. The Supervisory Board members have well fulfilled duly assigned tasks; fully participated in periodical and unscheduled the Supervisory Board's meeting sessions, entered into discussion and voting for issues in line with the Supervisory Board responsibilities and functions.

Operational expenses for the Supervisory Board have been implemented in line with the VCB internal regulations. The remuneration in 2021 paid for members of the BOD and members of the Supervisory Board was 0.08% of consolidated profit after tax, which is complied with the Resolution No. 14/TN2021/NQ-ĐHĐCĐ approved by 14th VCB AGM dated Apr 23rd 2021 (maximum of 0.27% profit after tax).

2. VCB's 2021 business performance & the Supervisory Board's supervision:

The Supervisory Board has appraised VCB financial statements (which have been independently audited) and would like to inform the details as follows:

- The Consolidated Financial Statements for the fiscal year 2021 fully have reflected the performance and financial situation of VCB and its subsidiaries, presented in accordance SBV regulation on financial report regimes for credit institutions in accordance with the Vietnamese Accounting Standards as well as relevant statutory regulations.

- The Consolidated Financial Statements for the fiscal year 2021, in all material aspects, gave a true and fair view of financial situation of VCB and its subsidiaries as at Dec 31st 2021.

The key figures relating to equity and assets as at Dec 31st 2021 and results of operations of VCB for the year 2021 are as follows:

1.	Total assets:	VND 1,414,673 billion
2.	Total shareholders' equity:	VND 109,117 billion
3.	Results of business operation in 2020:	
	- Profit before tax:	VND 27,389 billion
	- Corporate Income tax:	VND 5,450 billion
	- Profit after tax:	VND 21,939 billion
	<i>Profit after tax recorded in single financial report</i>	<i>VND 21.191 billion</i>
	+ Non-controlling interest	VND 20 billion
	+ Net profit during the year	VND 21,919 billion

3. Implementation of making, storing and updating the list of related parties of the BOD's members, the Supervisory Board's members, the CEO, founding shareholders and owners of at least 5% of the voting shares of VCB

In 2021, there have been personnel changes in the BOD's members and CEO compared to 31/12/2020, specifically: (i) On 23/04/2021, the AGM approved the dismissal of Mr. Eiji Sasaki from being BOD member and nominate Mr. Shojiro Mizoguchi to BOD for the term 2018-2023; (ii) on 03/07/2021 the BOD issued a resolution to dismiss Mr. Nghiem Xuan Thanh from being Chairman of the Board based on decision of the Political Bureau about personnel deployment and State Governor decision about dismissal from being State capital representative at VCB; (iii) on 30/08/2021, BOD nominated Mr. Pham Quang Dung to be the Chairman of the Board for the term 2018-2023. The information of related parties of the BOD's members, the Supervisory Board's members, the CEO has been updated accordingly in line with the regulation.

4. Results on the operations of the BOD, the CEO and the Supervisory Board's supervision

4.1. The Supervisory Board's supervision:

The Supervisory Board's supervision on management and administration activities of the BOD, the BOM has been regularly implemented by theme, on the

basis of orientations and guidelines on credit institution activities of the Government and State bank of Vietnam (SBV) which are related to implementation of monetary, credit and foreign exchange policies, capital contribution and investment, purchase of shares, enhancement of governance and management capability, risk management, enhancement of financial capability, ensuring safety in banking operations...

4.2. Assessment on the compliance with the Law and execution of the guidance documents by the Government, SBV in terms of governance and management activities:

The BOD, the BOM have enacted Resolutions, documents regarding the orientation on business objectives in 2021 and pivotal tasks in VCB's business management which are in accordance with executive and administrative direction of the Government and SBV, establish agenda to deploy solutions synchronously and drastically in order that business objectives and plans adopted by AGM would be well accomplished amidst the complicated development of Covid.

VCB established and enacted internal regulations on business operation for financial institution, ensured the mechanism of internal audit and supervision, risk management for each business operation procedure. Vietcombank has controlled business operation to comply with the indicators of operational adequacy ratios in banking activities as adopted by SBV (capital adequacy ratio (CAR), liquidity ratio, loan/deposit ratios, capital contribution and shares investment ratios, credit facility,...).

4.3. Assessment on risk management

In 2021, VCB continued implementing and applying 3 pillars of Basel II in business operation, complying with the requirements of SBV on internal control of commercial banks, and in line with the international practices as follows:

- To boost the supervision of the BOD, the BOM and the Supervisory Board in terms of risk management system, enhance the performance of the Risk Management Committee and the Risk Council.

- To continue the implementation of restructuring and re-arrangement of the operational mechanism, standardize the functions and responsibilities of Departments/Centers at the Head Office in the Three lines of defense model to improve risk management and business efficiency.

- To continue implementing projects of IT infrastructure system enhancement to improve banking service quality and provide management information in timely, adequate, accurate manner and supportive for the process of digital banking transformation.
- To implement the project “Enhance capital stress testing framework” to complete Internal Capital Adequacy Assessment process (ICAAP).
- VCB established, periodically assessed and updated the system to identify, measure, monitor, alert material risks such as credit risk, operational risk, market risk, interest risk in the banking book (IRRBB), liquidity risk, concentration risk.
- Proactively offered the appropriate solutions and focused on drastically implementing business operation, safe and flexible adaptation, effective supervision on Covid epidemic in bankwide scope, ensured the stabilization and step-by-step boosted the business performance as planned, while continued implementing solutions for enhancing financial capability, management capability in line with 2021 AGM Resolution.

5. The coordination among the Supervisory Board, the Board of Directors, the CEO and shareholders

Following the Internal Governance Regulations, the Supervisory Board has participated in periodical meetings of the BOD and monthly meetings of the BOM. The BOD and the BOM have provided information and documents on the management, operations and business activities of VCB for the purpose of the Supervisory Board’s supervision.

The BOD and the BOM have hold meetings with reports submitted by the Supervisory Board, then directed the guideline to various units to strictly carry out the Supervisory Board’s recommendations, and periodically reported the progress of actions. The Supervisory Board’s reviewing results and recommendations have been informed widely in bankwide scope in semi-annual and annual conference to learn from experience, correct and remedy. The cooperation among the Supervisory Board, the BOD and the BOM has complied with regulations specified by the Law, VCB Charter and other internal regulations.

The Supervisory Board fully made the report on results of VCB operational

supervision before all AGMs in accordance with VCB Charter. In 2021, VCB implemented 18 transactions with FPT and FPT Information System Co., Ltd (FIS), known as the related parties of Mr. Truong Gia Binh – Independent Member of VCB’s BOD. In 2021, the Supervisory Board has not received any request from other shareholders or group of shareholders to review book of accounts, documents, or to monitor VCB’s business, operation and management.

6. Performance of Internal Audit and the supervision of the Supervisory Board

6.1. Performance of Internal Audit:

- In 2021, Internal Audit has successfully completed the annual audit plan registered with SBV with 21 thematic audits including 19 planned audits and 02 additional audits as per banking risk management request. The internal audit plan has ensured the risk-oriented principle and overall principle, ensuring that all activities, processes and departments of VCB are subject to internal audit, while operation, procedure, departments with highly pivotal or high risk level must be audited at least once a year.

- The contents of 2021 audits consist: 06 audits regarding risk/model/data management; 09 thematic audits on pivotal activities/high-risk activities; 02 audits of information technology projects/system; 01 operational audit on departments at the Head Office and 03 audits on the subsidiary/representative office. In addition, Internal Audit has reviewed/assessed overall risks for VCB's model building/testing projects.

- Internal Audit has independently and objectively reviewed and assessed the relevance, adequacy, effectiveness and efficiency of the internal control system, indicating necessary changes to the internal control system for handling and remediation; well organized the monitoring, reporting of recommendation execution; ensuring all matters are settled in adequate manner.

6.2. The Supervisory Board’s supervision on Internal Audit

The Supervisory Board supervised Internal Audit operation as regulated by Circular No. 13/2018/TT-NHNN, VCB Charter, Regulations on the organization and operation of the Supervisory Board; reviewed and approved annual internal audit plan, supervised the implementation of approved adhoc audits.

The Supervisory Board has regularly held internal audit meetings to assess

the findings during audits, recognize the high risk issues to make recommendations, direct and orient internal audit activities; requested internal auditors to comply with code of ethics, internal audit practices; kept track on and to surmount shortcomings and overcome difficulties. Periodical reports and reports for each and every internal audit have been under the Supervisory Board's review, assessment and may mention any improvement needed for the upcoming audits, continuously enhance quality and effectiveness in internal audit, ensure the comprehensiveness and professionalism in internal auditing practice.

The Supervisory Board has always taken into serious consideration on internal audit operation and human resource enhancement. In 2021, the Supervisory Board has co-ordinated with relevant departments to carry out recruitment and training for units of the Supervisory Board via appropriate form depending on the actual situation; reviewed and assessed performance, designation, re-designation with internal audit personnels complying with VCB internal regulations; the Supervisory Board has directed Internal Audit to implement and apply audit software for managing Internal Audit/Internal control activities, increase the use of modern auditing tools and techniques; accelerate the digital transformation process in internal audit activities in order to improve the quality and efficiency of internal audit as a closer step of meeting the requirements of a modern risk management model.

7. Rights of shareholders and the Supervisory Board's supervision:

The Supervisory Board has supervised the implement of orientation and targets approved by AGM, monitored the progress of the Restructuring Plan associated with bad debt handling toward 2020. The findings demonstrated that: in 2021, the BOD and the BOM have actively offered reasonable solutions; drastically implemented directions to boost strategic business operation for sustainability and development aline with VCB's strategic targets and orientation; endeavored to implement solutions to realize the goals of VCB's restructuring plan until 2020, drastically in bad debt settlement at VCB according to Resolution No. 42/2017/QH14 dated 21/06/2017 enacted by the National Assembly.

As of 31/12/2021, VCB has fulfilled and outperformed the basic indicators assigned by the AGM and guided by SBV, namely: total assets reached VND 1,414,672.6 billion, increase by 6.7% compared at 31/12/2020, exceeding by 1.7% compared to the plan assigned by the AGM; profit before tax was VND 27,388.6 billion, increase by 18.8% compared to 2020 and 7.8% exceeding the

plan; loan outstanding balance was VND 972,579.7 billion, up by 15% compared to 31/12/2020 (under the ceiling limit guided by SBV); deposit was VND 1,152,711.6 billion, up by 9.4% compared to 31/12/2020, exceeding by 2.4% of the plan; non-performance loan ratio was 0.63%, increasing by 0.01 percentage points compared to end of 2020 (0.62%) and followed the planning ratio (< 1% of total loan outstanding balance); profit is considered to be sufficient for dividend payment as per plan; 05 new local branches were established according to plan.

The BOD has directed to implement profit distribution and dividend payment of 2020 complying with principles approved by AGM and SBV. Plan for chartered capital increase in the period of 2020 – 2021 approved by AGM in 2021 has been guided to implement by the BOD. on 09/12/2021, VCB paid stock dividend from 2019 retained earnings, allocate funds and paid 8% cash dividend following policy of Prime Minister and SBV. After increasing chartered capital, VCB's chartered capital reached VND 47,325 billion, an increase of 27.6% compared to end of 2020.

The BOD unanimously approved Ernst & Young Vietnam Co., Ltd to act as independent auditing firm for financial statements and internal control system in 2022 based on principles approved by AGM on schedule.

II. THE SUPERVISORY BOARD'S OPERATIONAL ORIENTATION IN 2022

Pursuant to the Supervisory Board's functions and responsibilities, operational orientation of VCB for 2022, the directions of the Government and SBV on objectives and missions to conduct monetary policy, to ensure the safety and efficiency in business operation; based on the actual situation; in 2022, the Supervisory Board endeavors to perform well duties and tasks complying with the Law and internal regulations, focusing on main activities as follows:

1. To appraise the semi-annual and annual financial statements in 2022.
2. To supervise the compliance with the Law, VCB Charter in VCB business operation activities approved by the BOD, the CEO and other senior managers; to monitor the compliance with indicators of operational adequacy ratios; to supervise the implementation of risk management of in line with Basel II; to follow up implementation of the Supervisory Board's recommendations and performance of VCB objectives and plans upon 2022 AGM approval.
3. To monitor and update the list of major shareholders and related parties of

members of the BOD, the BOM and the CEO.

4. To direct, orient and supervise Internal Audit, ensure to fulfil duties and function specified by regulations and to complete Internal Audit plan in 2022; supervise the compliance with code of ethics of internal audit; improve the quality of internal audit for early risk detection, prompt warning, risk reduction, then to limit losses for VCB; to focus on auditing high-risk operation such as credit, anti-money laundering, information technology, civil construction, procurement of assets and goods,... and stimulneously continue to invest resources in auditing new and highly complex operation, complying with the regulations of SBV and meeting the requirements of Basel II .

III. PROPOSALS AND RECOMMENDATIONS OF THE SUPERVISORY BOARD:

Based on the findings of supervision on business and operational management of the BOD, the BOM, the Supervisory Board would like to make the following proposals and recommendations:

1. Policy & mechanism

- Request the SBV to continue to support VCB in implementing the plan to increase chartered capital according to the policy approved by the AGM to ensure the target equity size, meeting the safety standards according to Basel II and towards Basel III.

- Request the SBV to continue to support commercial banks in general and VCB in particular in fulfilling the methodology for capital stress testing according to the Internal Capital Adequacy Assessment process (ICAAP).

- Request the SBV continue to strengthen the system of documents, information and risk warning tools to support commercial banks to promptly develop methods to prevent and control risks.

- Make the proposal to the Government and the SBV to continue to improve the legal framework for the development of new technology services, new payment methods to meet management requirements and increase products and services of commercial banks in the context of the fourth industrial revolution.

- Requests that the BOD, the BOM continue directing all departments/branches to regularly review and assess relevant internal regulations

to be in line with the Law and compatible with VCB's objectives and governance requirements.

2. Personnel

In order to continue implementing the strategic goal of VCB to 2025 as one of the leading banks in terms of human resource quality, the Supervisory Board recommends the BOD, the BOM as follows:

- Continue directing the implementation of human resource management and development project, capacity framework building project... according to schedule to apply for recruitment, rotation, appointment, training, evaluation and staff motivational policies for further improvement the quality of human resources in VCB.

- Focus on training high-quality human resources to meet the development requirements of the bank and international integration, especially the team of leaders and experts in operational bank activities.

- Focus on organization consolidation the information technology group, recruit IT specialized personnel (especially experienced and key personnel) with a long-term training orientation to build a team of professional information technology staff with relevant qualifications and high professionalism, meeting the requirements of operational management and mastery of modern technology systems.

3. Risk management

- The BOD, the BOM shall continue to direct the units at the Head Office and branches to review overall credit portfolio, strengthen control, and grasp the situation of customers to take appropriate credit-granting management action. To strictly control the credit portfolio, especially for customers affected by the Covid-19 epidemic; to focus on the recovery of bad debts, debts that have been dealt with off-balance sheet risks, ensuring the portfolio structure and credit quality to achieve the targets.

- To complete the early warning system (EWS) to improve the efficiency of early warning of credit risks, timely detect and warn loans with signs of risk. To strengthen monitoring of the quality of input and output data of risk measurement models in order to improve the predictability of the model.

- To speed up the implementation progress and closely monitor information technology development projects and schemes in order to strengthen system capacity, ensuring safety and security; to strengthen the application of information technology in providing banking services, in operating, managing, analyzing and preventing risks; to accelerate the construction of data backup centers; to focus on risk management solutions in developing modern service delivery channels and applying digital technology; to strengthen regulations and methods to ensure security, safety and confidentiality in the field of payment; to carefully monitor cash flows arising in international payment activities and strengthen anti-money laundering activities.

- To focus on improving the effectiveness of risk management in accordance with regulations of state management authorities and advanced standards of Basel II; to fulfil and apply regulations on banking governance in line with international practices.

- To strengthen inspection of construction activities, procurement of equipment, property, goods and services... Regularly review to develop, supplement and amend regulations on the management of finance, norms, standards and regimes in accordance with the provisions of law, meeting operations and management requirements.

- To strictly implement the Regulations on code of conduct and professional ethics to officials, regulations on information safety and security in VCB system.

4. The operation of Internal Control and Internal Audit:

- Internal inspection and audit need more strengthening and consolidation, in order to timely and comprehensively identify and control key risks in banking activities, focusing on investing resources to control network security risks, information safety and security.

- To continue to strengthen monitoring methods for the implementation of recommendations of inspection, examination and auditors, in order to overcome existing problems and errors, and ensure safe and effective banking operation.

- To enhance digital transformation, apply information technology in internal inspection and audit activities, take advantage of preeminent features of inspection and audit software; to research and propose improvements to audit

methods and techniques, and use of data processing tools in order to improve the efficiency and validity of the internal audit and inspection apparatus.

- To strengthening the training, improving the quality of audit staff and the percentage of inspectors and auditors achieving international professional certificates in internal audit, risk management.

5. The interests of shareholders:

The BOD and the BOM continue to ensure legal rights of shareholders and effectively implement to increase chartered capital in order to ensure financial capacity enhancement for VCB.

On the basis of the results of monitoring business activities, supervising the governance of the BOD, the BOM and the business results in 2021 of VCB, the Supervisory Board would like to submit to the Annual General Shareholders' Meeting of for approval the following contents:

(i) To approve the 2021 consolidated financial statements of VCB which have been independently audited by KPMG Vietnam Co., Ltd and appraised by the Supervisory Board.

(ii) To approve the Report of the BOD on the activities in 2021 and 2022 orientations;

(iii) To approve the Report of the BOM on the activities in 2021 and 2022 orientations;

(iv) To approve the Report of the Supervisory Board on 2021 operation and 2022 orientations.

Respectfully,

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

Lai Huu Phuoc