

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**
**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

Address: 198 Tran Quang Khai, Hanoi
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Hanoi, April 21st 2023

REPORT OF THE SUPERVISORY BOARD ON OPERATION FOR THE TERM 2018 – 2023, ORIENTATION FOR THE TERM 2023 – 2028

The Supervisory Board hereby would like to submit the report to Annual General Meeting of Shareholders (“AGM”) on operation for the term 2018 – 2023 and orientation for the term 2023 – 2028 as follows:

I. PERFORMANCE OF THE SUPERVISORY BOARD FOR THE TERM 2018 - 2023

1. The Supervisory Board’s organizational structure and personnel:

The AGM of JSC Bank for Foreign Trade of Vietnam (“VCB”) on Apr 27th 2018 approved the number of members of the Supervisory Board for the term 2018 – 2023 including 05 members in accordance with VCB Charter. The Supervisory Board members are as follows:

No.	Full Name	Position	Membership of Supervisory Board starting date	Membership of Supervisory Board ending date
1	Ms. Truong Le Hien	Head of the Supervisory Board	27/04/2018	01/11/2020
2	Mr. Lai Huu Phuoc	Head of the Supervisory Board	04/11/2020	
3	Ms. La Thi Hong Minh	Member of the Supervisory Board	27/04/2018	
4	Ms. Do Thi Mai Huong	Member of the Supervisory Board	27/04/2018	
5	Ms. Tran My Hanh	Member of the Supervisory Board	29/04/2022	

In which:

- Ms. Truong Le Hien retired since Nov 01st 2020 in accordance with Decision No. 1525/QD-NHNN dated Aug 27th 2020 by the Governor of the State Bank of Vietnam and was dismissed from the position of member of the Supervisory Board for the term 2018 – 2023 by the AGM on Apr 23rd 2021.
- Mr. Lai Huu Phuoc was approved by the AGM on Jun 26th 2020 to be an additional member of the Supervisory Board for the term 2018 – 2023 and was elected by the the Supervisory Board to hold the position of Head of the Supervisory Board for the term 2018 - 2023 since Nov 04th 2020.
- Ms. Tran My Hanh was approved by the AGM on Apr 29th 2022 to be an additional member of the Supervisory Board for the term 2018 - 2023.

Units under the Supervisory Board include the Internal Audit Department (in Head Office and Southern Office) and the Operational Supervisory Department.

Operational expenses for the Supervisory Board have been implemented in line with the VCB internal regulations. The annual remuneration paid for members of the Supervisory Board was within the remuneration paid for members of the BOD and the Supervisory Board which is complied with the annual AGM's approval.

2. Evaluation of the performance of the Supervisory Board for the term 2018 – 2023:

2.1. Summary on the Supervisory Board's meetings:

For the term 2018 - 2023, the Supervisory Board held 32 periodically meeting sessions, ensuring the provisions of VCB Charter and the Regulation on organization and operation of the Supervisory Board (at least in quarterly basis). The Supervisory Board's meetings focused on discussion, revision to approve the scope of work relating to the Supervisory Board's functions and duties, including: assessment on preliminary and overall performance of the Supervisory Board in quarterly/semi-annual/annual basis; performance orientation of the Supervisory Board; results of appraisal on annual financial statements and reports of the Supervisory Board at the annual AGM; the policy of selection of independent auditing firm for VCB annual financial statements and internal control system; approval on the internal regulations of the Supervisory Board; approval on contents relating to the Supervisory Board's personnel (appointment, re-

appointment of the titles of Internal Audit; staff planning; assignment of tasks to members of the Supervisory Board and staff of the Supervisory Board...). The Supervisory Board's meeting sessions, summoned by the Head of the Supervisory Board, have been fully participated by all the Supervisory Board's members. Meeting minutes have been well made and filed in line with the regulations.

In addition, the Supervisory Board has held monthly internal meetings with leaders of units under the Supervisory Board to bring issues into discussion which are relating to VCB's governance and business management as well as evaluate the performance of the Supervisory Board's members and functional departments.

2.2. The supervision of the Supervisory Board:

The Supervisory Board has fully participated in periodical meetings of the Board of Directors ("**BOD**") and certain monthly meetings of the Board of Management ("**BOM**"), supervised the BOD, the BOM, the Representative for Government's shares at VCB in the implementation of VCB's annual business orientation and goals approved by the AGM, supervised the compliance of governance and administration with the foundation of the government authorities' directives, the provisions of law and VCB Charter.

2.3. Internal auditing activities:

The Supervisory Board directed the Internal Audit Department to implement the annual audit plans approved by the Supervisory Board and registered with the State Bank of Vietnam. For the term 2018 - 2023, VCB has performed 101 audits, fulfilled/overfulfilled the annual assigned plan. The audit content includes audit on material activities/high-risk activities of the bank (credit, accounting, retail banking, capital trading, anti-money laundering, payment, information technology, asset procurement,...); audit on risk management activities (management of credit risk, market risk, operational risk, integrated risk, risk measurement models); audit on the implementation of the restructuring scheme associated with bad debt settlement; audit on foreign exchange management; audit on IT projects/systems; audit on branches/subsidiaries/representative offices/units at the Head office/affiliated units of VCB. In addition, the Supervisory Board directed the Internal Audit Department to carry out independent assessment on VCB's internal control system in accordance with the requirements of Circular No 13/2018/TT-NHNN dated May 18th 2018; to act as the focal point to work with the independent auditing company on evaluating the operation of VCB's internal control system.

For the term 2018 - 2022, the Internal Audit Department completed two important projects for internal audit activities (Project of "Improving internal audit capacity" and Project of "Investment in procurement of software for management of internal audit and inspection activities"), contributing to strengthening internal audit capacity, creating a foundation for internal audit activities to have strong transformation, applying updated audit techniques to evaluate risk management frameworks, model testing, evaluate technology and data systems, in-depth thematic audits of high-risk procedures, activities, units within VCB...Equipping with audit software has contributed to automating internal audit work, in line with the trend of digitalization and digital transformation in banking operation.

2.4. Other activities:

The Supervisory Board has appraised the interim and annual financial statements to submit to the AGM for approval; made, stored and updated the list of shareholders of at least 5% of charter capital or the voting shares of VCB and related parties of members of the BOD, members of the Supervisory Board and the CEO. The Supervisory Board regularly directed to stipulate, amend and supplement internal regulations of the Supervisory Board such as the Regulations on the organization and operation of the Supervisory Board, Internal Audit Regulations, Internal Audit Procedure, Regulations on professional ethical standards of members of the Supervisory Board; directed the Internal Audit to established and issue the Manual for the implementation of the internal audit procedure; to conduct regular training for staff of the Supervisory Board in order to continuously improve the quality of human resources...

General assessment:

The Supervisory Board has fully carried out the functions and tasks of the Supervisory Board in accordance with the provisions of VCB Charter and the Regulations on the organization and operation of the Supervisory Board. Members of the Supervisory Board have well fulfilled their assigned responsibilities and tasks; fully attended regular and ad-hoc meetings of the Supervisory Board, discussed and voted on issues and contents within the functions and duties of the Supervisory Board.

Based on supervisory and auditing results, the Supervisory Board recognized the outstanding issues, limitations and risks in the bank's operational areas, gave opinions and recommendations to the BOD, the BOM in taking

measures to supplement, amend and improve the organizational structure, management and business operations of VCB, recommended the relevant units/divisions to overcome shortcomings, measures to strengthen management, reduce risks, enhance the efficiency and effectiveness of the internal control system, ensure compliance with the provisions of law, VCB Charter and other internal regulations, contributing to improving the quality, operational efficiency and safe and sustainable growth of VCB.

3. The coordination between the Supervisory Board and the BOD, the CEO and shareholders

Performing the Internal Governance Regulations, the Supervisory Board fully attended periodic meetings of the BOD and certain monthly meetings of the BOM. The BOD and the BOM ensured the provision of information and documents on the management, administration and business activities of VCB to serve supervisory activity.

The BOD and the BOM held meetings with reports submitted by the Supervisory Board, directed the guideline to various units to strictly carry out the Supervisory Board's recommendations, and periodically reported the progress of actions. The notes and recommendations of the Supervisory Board were widely disseminated throughout the system at semi-annual and annual conferences to learn from experience, rectify and remedy. The working relationship between the Supervisory Board and the BOD and the BOM was carried out in accordance with the provisions of law, VCB Charter and other internal regulations.

The Supervisory Board fully reported the results of supervision to shareholders at the AGM in accordance with VCB Charter.

II. ASSESSMENT ON VCB'S BUSINESS PERFORMANCE AND MANAGEMENT FOR THE TERM 2018 - 2023

1. Assessment on VCB's business performance and financial status

For the term 2018 - 2023, VCB has well executed the duties under the guidance of the Government, the Prime Minister, the State Bank of Vietnam and other duly authorities: proactively implemented solutions in regards to monetary, credit, foreign exchange policies and banking operation; established VCB's Development Strategy to 2025, vision to 2030 on the foundation of directions of the State Bank of Vietnam; implemented solutions on enhancing management capability; improved digital transformation, developed the updated banking

services; proactively implemented and fully reported the assigned duties on the Restructuring plan associated with the settlement of bad debts for the term 2021-2025; expanded the network, completed internal procedures and regulations to create a mechanism for enhancement of business activities; implemented comprehensive risk management in accordance with international standards; renovated and strengthened staff management, training, recruitment...

For the term 2018 - 2023, VCB has fulfilled and outperformed basic indicators assigned by the AGM with the results showing growth in most of the targets, the specific results are as follows:

- As at Dec 31st 2022, total assets reached VND 1.8 quadrillion, increased by 175% compared to the end of 2017 (VND 1.03 quadrillion).
- As at Dec 31st 2022, deposit of first market and valuable paper issuance reached VND 1.26 quadrillion, increased by 175% compared to the end of 2017 (VND 0.7 quadrillion).
- Outstanding loan balance reached more than VND 1.15 quadrillion, up by 207% compared to the end of 2017 (VND 0.56 quadrillion). Credit growth was monitored complying with the State Bank of Vietnam's credit growth ceiling, credit structure was shifted towards safety and efficiency.
- Credit quality was strictly controlled. Annual non-performance loan ratio was controlled to be less than 1%. The loan loss coverage ratio ranked first in the banking industry.
- Consolidated profit before tax in 2022 was VND 37.37 trillion, increased by 329% in comparison to the end of 2017 (VND 11.34 trillion).
- The ROAA and ROAE ratios maintained at high level, reaching 1.9% and 24% respectively, up by 185% and 136% respectively compared to the beginning of the term.
- Operational adequacy ratios were complied with the provisions of law and Basel II requirements.

2. Assessment on executing the rights and obligations of the BOD, the CEO; executing the rights, responsibilities of the Representative for Government's shares at VCB

For the term 2018 - 2023, the BOD and the BOM proactively enacted Resolutions, directive documents regarding the orientation on business objectives,

business plan and pivotal tasks in VCB's business management which were in accordance with executive and administrative direction of the Government and the State Bank of Vietnam; enacted solutions to cope with practical events; established agenda to synchronously and drastically deploy solutions; speed up the processing in banking operation and focused on tackling the difficulties and hindrances in the bank wide scope to ensure the business objectives to be accomplished... In general, the governance and management of the BOD, the BOM were in compliance with the Law on credit institutions and VCB Charter.

Prior to bringing issues for voting in the BOD's meetings, the Representative for Government's shares at VCB requested the State Bank of Vietnam to give comments on matters and activities in accordance with Decision No. 1500/QĐ-NHNN dated Sep 20th 2021 promulgated by the State Bank of Vietnam's Governor. The Representative for Government's shares at VCB reported periodically and reported the results of implementing activities following the opinions of the State Bank of Vietnam in accordance with the provisions of law.

Contracts and transactions with related parties were reviewed and approved by the BOD in accordance with the provisions of Article 75 of VCB Charter and were disclosed by VCB complying with regulations. For the term 2018 – 2023, there were no shareholders or group of shareholders who requested the Supervisory Board to review accounting books, documents, or requested inspection related to VCB's business, operation and management.

3. Activities of internal control

VCB considers internal control to be the focus in ensuring safe, sustainable and effective operation of VCB.

- VCB has developed and stipulated system of regulatory documents and internal procedures to control all areas of VCB's activities, in which points of control have been fully designed to ensure separation of functions and tasks of various departments, allowing to control risks and conflicts of interest in each activity/procedure/transaction based on the principle of two hands and four eyes, to detect and promptly handle violations; to raise awareness of individual roles and responsibilities for internal control. VCB has also strengthened the control culture through the application of the Code of Conduct and Professional Ethics of VCB's officers, VCB Culture Handbook and Labor Regulations throughout the system. VCB has periodically reviewed, updated and completed documents,

policies, regulations and internal processes to ensure the conformity with the provisions of law and operational practice. Risk control policies, measures and tools along with application programs and supporting information technology systems have been researched, developed and completed to enhance the effectiveness of control and reduce operational risk.

- VCB's organizational structure is implemented in line with the model of three lines of defense, uniformly deployed throughout the system in which roles and functions are clearly and specifically separated and responsibilities of each line do not overlap, ensuring that control activities are strictly and comprehensively implemented, ensuring efficiency and safety in each VCB's activities.

- VCB has specifically issued documents on decentralization of approval authority in each activity such as credit, retail, trade finance, payment, foreign exchange transaction, valuable papers, proprietary trading... following the criteria of transaction size/risk limit and some other criteria.

- Activities of accounting booking, preparation and submission of financial statements are fully and promptly performed by VCB in accordance with the provisions of law. For the term 2018 - 2023, VCB has implemented a number of new systems (new Corebanking system, enterprise resourcing planning system (ERP), multi-dimensional analysis system (MPA), IFRS9...) in order to improve the role and function of financial and accounting activities, towards meeting international standards.

- The Head office has regularly monitored and controlled transactions and activities of the branch and other dependent units through the information exchange mechanism, management information system and regular supervision activities, comprehensive inspection or thematic inspection of the apparatus Internal inspection of the Head office for the operation of all VCB branches.

- The internal information and reporting system has been set up and strictly controlled, ensuring that all aspects of VCB's activities are fully, timely and accurately reported and updated. VCB has paid special attention to investing in modern, high level of safety and security IT infrastructure to provide maximum support for the operation of the management information system. The information exchange mechanism has been established and operated smoothly via many channels to fully, timely and accurately convey regulations, policies, orientation and directions of the Government and VCB's Board of Management to units and

individuals throughout the system. At the same time, staff, branches and dependent units can timely report, recommend and propose to senior managers on problems and difficulties in business.

4. Assessment on risk management system

VCB completed implementing 3 pillars of Basel II, completed the risk management framework with the standard method and advanced method, thereby to meet the requirements of Circular No. 13/2018/TT-NHNN dated May 18th 2018 and Circular No. 40/2018/TT-NHNN dated Dec 28th 2018 in accordance with international practices, specified as follows:

- VCB has implemented the action program of the Risk Management and Compliance Division until 2025, vision to 2030 to deploy the overall goals of being the best risk management bank in Vietnam, pioneering in applying advanced risk management standards.

- The organizational structure of VCB's risk management apparatus is specified and clearly separated, including: Senior management (the Board of Directors, the CEO, the Supervisory Board, Risk Management Committee, Risk Council, Risk Handling Council, ALCO Council...), Internal Audit, Internal Inspection, units under Risk Division and units throughout the system. Risk management is centrally managed by the Risk Management Division, which is directly managed by a member of the BOM.

- The system of risk management limits has fully established for each type of risk, in line with VCB's risk appetite and strategies. Monitoring and supervision of compliance with risk limits have strictly implemented through system of monitoring tools, thereby have been fully and timely reported to duly authorities.

- Risk identification, measurement, monitoring and controlling at VCB have been fully implemented upon the key risks in VCB's business activities. VCB has been and continues to complete the methodology, tools, risk measurement and warning models and hence helping VCB to fully identify, accurately measure, regularly monitor for timely risk detection, mitigation and prevention and control risk status to ensure the compliance with limits.

- The liquidity and capital stress tests have been carried out periodically in accordance with VCB's regulations, complying with the requirements of Circular 13. The risk reporting mechanism has been fully established and operated in accordance with regulations.

For the term 2018 – 2023, VCB has maintained the indicators on limits, prudential ratios in operation in accordance with the regulations of the State Bank of Vietnam (including indicators of minimum capital adequacy ratio, solvency ratio, capital utilization/mobilized capital ratio, capital contribution limit, share purchase, credit limit,...).

5. Assessment on the legality, systematicity and honesty in accounting activities, accounting records and appraisal of financial statements

The Supervisory Board has regularly supervised financial and accounting activities by reviewing documents on financial and accounting policies and regimes, reviewing and evaluating VCB's financial management; reviewing and auditing investment in construction, asset procurement...; has appraised the interim and annual financial statements of VCB. The supervision, auditing and appraisal confirmed the consolidated financial statements (from FY2018 to FY2022), in all material aspects, gave a true and fair view of financial situation of VCB and its subsidiaries.

6. Ensuring the rights of shareholders

The BOD has directed to implement annual profit distribution and dividend payment or increasing charter capital in accordance with principles approved by the AGM and the duly authorities.

Selection of independent auditing firm for annually auditing VCB's financial statements and internal control system has been carried out in accordance with principles approved by the AGM, ensuring the regulated schedule.

III. OPERATIONAL ORIENTATION OF THE SUPERVISORY BOARD FOR THE TERM 2018 - 2023

Pursuant to the Supervisory Board's functions and responsibilities, Development Strategy of VCB to 2030, the directions of the Government and the State Bank of Vietnam on monetary policy objectives and tasks, measures to ensure safe and efficient operation; based on the actual situation; for the term 2023 - 2028, the Supervisory Board endeavors to perform well the duties and tasks in accordance with the provisions of law and VCB's internal regulations, focusing on main activities as follows:

1. To appraise the annual financial statements and interim financial statements.

2. To supervise the compliance with the provisions of law, VCB Charter in management and administration of the BOD, the CEO and other senior managers; to monitor the compliance with indicators of operational adequacy ratios; to supervise the implementation of VCB's risk management; to follow up implementation of the Supervisory Board's recommendations and the implementation of policies and orientation approved by the annual AGM. To monitor and update the list of major shareholders and related parties of members of the BOD, members of the Supervisory Board and the CEO.

3. To establish long-term strategy to develop the operation of the Supervisory Board, focusing on the goal of structuring the organization and apparatus for better conformity with operational practice, meeting the requirements controlling all risks within VCB's business; to carry out digital transformation, apply new technologies to auditing and supervision activities in order to maximize labor efficiency; to strictly comply with the provisions of relevant laws; to consolidate and strengthen the capacity of the supervisory and internal audit apparatus, contributing to making VCB become the best risk management bank in Vietnam.

4. To direct, orient and supervise the Internal Audit Department, to ensure the completion of duties and functions in accordance with the law and internal regulations, to fulfill annual internal audit plan; to supervise the compliance with code of ethics of members of the Supervisory Board and internal audit; to improve the quality of internal audit for early risk detection, prompt warning, risk mitigation and hence limit losses for VCB; to focus on auditing high-risk areas,.... and at the same time continue to invest resources in auditing new and highly complex operation, complying with the regulations of the State Bank of Vietnam and meeting the requirements of Basel II.

Respectfully,

ON BEHALF OF THE SUPERVISORY BOARD

HEAD OF THE SUPERVISORY BOARD

Lai Huu Phuoc