

## ANNEX 03

Hanoi, 02 Apr, 2024

# REPORT OF THE SUPERVISORY BOARD AT THE ANNUAL GENERAL MEETING 2024

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### ***Attention: VPBank shareholders***

According to the functions and duties of the Supervisory Board (“SB”) by laws, the Charter of the Vietnam Prosperity Commercial Joint Stock Bank (“VPBank”) and the Regulation on Organization and Operations of the SB, we would like to report our main activities in 2023.

## **I. RESULTS OF THE SB’S OPERATIONS IN 2023**

From January 1 to December 31, 2023, the SB had 3 members, of which 2 are full-time.

In 2023, the SB closely followed market fluctuations, the bank’s performance and the requirements of regulators and the State Bank of Vietnam (“SBV”) to carry out its functions and tasks. Some of the main tasks the SB has carried out in 2023 are as follows:

### **1. Supervise the compliance with laws, regulations and VPBank's Charter in terms of governance, management and execution of AGM’s resolutions**

#### **1.1 In terms of governance and management**

##### **Governance:**

In 2023, the SB acknowledged several key activities that the BOD implemented as follows:

- The BOD ensured the appropriate organizational structure and conducted periodic meetings to meet the provisions of law;
- The BOD supervised the execution of the 2023 AGM’s Resolutions and management of the bank;
- The BOD performed the role of high-level supervision over the performance of the chief Executive Officer (“CEO”) and the Board of management (“BOM”).

##### **Management:**

The SB acknowledged several key activities that the CEO/BOM implemented during the year, including:

- Efforts to implement measures to fulfil the issues as approved in the AGM’s Resolution;

- In the context of the general market facing many difficulties, banks facing many challenges, banking operations having certain impacts, the profit target for 2023 has not been achieved according to the plan approved by the General Meeting of Shareholders, the General Director and the Board of Directors Executives have made efforts in organizing the implementation of assigned tasks;
- The Board of Management has applied risk management, debt collection, and debt handling measures to control the bad debt ratio;
- Review and restructure the operational system at several VPBank's and subsidiaries' departments to improve operational efficiency;

However, the SB assessed that overall, the CEO/BOM still had to strengthen several activities as the followings:

- Strengthen measures to control credit quality and debt collection; strengthen risk management measures to ensure safety in operations;
- Strengthen the reviewing of business segments, products, and customers in potentially risky sectors while closely following market fluctuations and the requests from the SBV and regulatory agencies.

## **1.2 Monitoring of the execution of the AGM's resolutions**

The contents in the resolutions approved by the AGM 2023 were implemented and promoted by VPBank, including:

- The profit distribution plan according to the BOD's report and the AGM's approval resolution;
- To implement ESOP plan for VPBank employees in 2023;
- Completed a private share offering to foreign strategic investor SMBC;
- The amendment to the Bank's maximum foreign ownership ratio from 17.642% to 30%;
- Implementing the addition of a number of business lines in the list of proposed additional lines of business, meeting the needs of expanding practical business activities of the Bank;
- Signed the loan and deposit framework contract with VPBank SMBC Finance Company Limited;
- Remuneration and operating cost of BOD and the SB within the approved limit;
- A number of other contents are assigned, assigned tasks, and authorized to be implemented by the General Meeting of Shareholders, including the content of the resolution, which is the content of general principles, which is the basis for the Board of Directors to carry out bank and subsidiaries governance.

Some other contents mentioned in the Resolution of the General Meeting of Shareholders that have not been implemented, including: Disbursement of debts for which provisions have been used to handle risks if specific conditions are met; The election of additional personnel to the Supervisory Board for the 2020-2025 term after the Investor becomes a shareholder of VPBank has not been carried out at the time of reporting because the Investor is considering suitable personnel.

## 2. Meetings of the SB in 2023

In 2023, the SB held internal meetings to provide directions and implement the SB/Internal Audit (“IA”)’s tasks and also to perform the function of high-level supervision of IA activities. All meetings were held in compliance with legal requirements. The SB also participated in several BOD/BOM meetings to promptly grasp the Bank's operations as well as perform SB's roles and responsibilities according to the law.

## 3. Execution of financial statements appraisal and supervision of financial results

According to the provisions of the Law on Credit Institutions, the SB organized the appraisal of the interim and the annual financial statements 2023 of VPBank to assess the truthfulness and legitimacy of the financial statement figures presented to the AGM as required by law and VPBank's internal regulations.

In 2023, Ernst&Young Vietnam issued unqualified opinion on the financial statements 2023 of VPBank: "The consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2023, and of the consolidated results of their business performance and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the consolidated financial statements.”

### The performance versus some consolidated financial indicators:

NO	Description	Actual 2023 (VND billion)	Actual 2022 (VND billion)	Plan 2023 approved by AGM (VND billion)	% completion of 2023 plan	% growth compared with 2022
1	Total assets	817,567	631,013	877,460	93.2%	29.6%
2	Customer deposits and Valuable papers	490,156	366,851	518,192	94.6%	33.6%
3	Loan balance (*)	600,524	479,756	635,972	94.4%	25.2%
4	Standalone NPL ratio (Circular 11)	2.95%	2.19%	<3%	Completed	34.7%
5	Profit before tax	10,804	21,220	24,003	45%	-49.1%

(Source: The audited financial statements 2023 and the 2023 business plan approved by the AGM)

(\*) Including loans to customers, purchased debts and debt securities issued by domestic economic entities.

**Several key points of the 2023 consolidated business results:**

- As of December 31, 2023: (i) The Bank's total consolidated assets reached VND 817,567 billion, reaching 93.2% of the plan, an increase of 29.6% compared to December 31, 2022; (ii) Credit outstanding of VND 600,524 billion reached 94.4% of the plan, an increase of 25.2% compared to December 31, 2022; (iii) Customer deposits and valuable papers reached VND 490,156 billion, reaching 94.6% of the plan, an increase of 33.6% compared to December 31, 2022.
- The total consolidated profit before tax in 2023 reached VND 10,804 billion, equivalent to 45% of the plan approved by the AGM, reducing by 49.1% compared to 2022.
- VPBank has also used debt collection and settlement measures to control the bad debt ratio. By the end of 2023, the bank has controlled the individual bad debt (NPL) ratio below 3%, completing the commitment at the 2023 Shareholders' Meeting.

***Main rationale for not achieving targets:***

In the context of global economic developments in general and Vietnam's economy in particular, there are many challenges, the Bank's business activities are lower than expected due to many unfavorable factors. The Bank's consolidated profit in 2023 did not achieve as planned partly due to the impact of the business results of VPB SMBC FC 2023 continues to be a difficult year for the consumer finance market when the dual impact of the Covid 19 pandemic and the growth of the economy affects the popular customer segment, which is also the main segment of VPB SMBC FC, leading to a slower-than-expected recovery in business results in the consumer finance segment. In addition, there are a number of other factors affecting the implementation of planned targets such as: The quietness of the real estate, insurance, bond markets, and decline in business activities of enterprises; High interest rate environment in early 2023 impacts asset quality, risk provision costs and profits of the Bank.

**4. Review of contracts and transactions with affiliated persons under the authority of the BOD and the AGM**

The SB instructed IA to review the contracts and transactions with affiliated persons under the approval authority of the BOD and the AGM. The review has not yet showed material findings proved that the bank's internal policies and regulations were in line with legal regulations. However, there are some detailed points in the operating process need to be completed in writing.

**5. Prepare a list of founding shareholders, major shareholders, capital contributing members and related persons of members of the BOD, members of the BOM, members of the SB, CEO of the credit institution**

The SB has coordinated with the BOD office and related departments to complete, maintain and update changes to the list.

## **6. High-level management and supervision of IA**

### **➤ Supervision and evaluation of professional ethics of the SB's members and internal auditors**

The Regulation on Organization and Operations of IA and the Code of Ethics for internal auditors, which were issued by the SB, covered professional principles, standards, and code of conduct for the members of the SB, internal auditors. The SB supervised the execution via IA. In 2023, no violations were found.

### **➤ Supervision of IA's execution of 2023 Action Plan**

The IA carried out 39/39 audits according to the approved plan and 01 additional audit on booking and using provisions to handle arising risks according to the requirements of Official Dispatch No. 8861/NHNN-CSTT dated November 16, 2023 Regarding several matters in the operations of credit institutions at the request of the SBV.

Based on the audit results, the SB promptly made proposals or recommendations on contents to be improved for the Bank's internal control system. The SB instructed the IA to monitor and urge the BOM to execute of recommendations by the IA.

### **➤ Reporting to the SBV, supervision of corrective actions to remedy all the shortcomings of the SB and IA as per the recommendations of relevant agencies**

In 2023, the SB, IA received official dispatches from the SBV, which mentioned the roles and responsibilities of the SB and IA need to strengthen supervision of activities. In addition, there are no recommendations from the regulatory agencies on all the shortcomings of the SB and IA need to report to the SBV.

## **7. Coordination mechanisms between BOD/BOM and the SB**

The BOD, BOM and SB had an appropriate coordination mechanism in their activities which facilitated the SB to perform its functions and duties by the provisions of the Law, the Charter and Regulations on organization and operation of the SB. Through periodic meetings and audit reports, the SB/IA made recommendations to the BOD/BOM on measures to strengthen the control or necessary amendment/improvement of the internal regulations. Some recommendations by the SB/IA which have not been implemented on time have been discussed by the BOD/BOM to find proper solutions and direct relevant units to implement.

## **8. Remuneration, operating expenses and other benefits of the SB**

The remuneration, operating expenses and other benefits of the SB were paid within the annual budget approved by the AGM and were managed according to the bank's financial regulations and presented in the audited financial statements.

## II. ORIENTATIONS AND ACTION PLANS OF THE SB IN 2024

Given the functions and duties of the SB and the bank's business plan, the key activities of the SB in 2024 are defined as follows:

1. Effectively carry out the functions of the SB as per the provisions of the law and Charter, implementing the content of new functions and tasks added according to the Law on Credit Institutions 2024;
2. Improve internal audit capacity, orient and organize effective implementation of internal audit work, identify potential and emerging risks and include them in periodic audit programs;
3. Continue to coordinate closely with the BOD, BOM to promptly identify and localize risks, especially those warned by the SBV;

## III. RECOMMENDATIONS OF THE SB

SB would like to recommend to the BOD and the BOM the following in order to continuously improve the efficiency of the internal control system, as follows:

➤ **First line of defence:**

- ✓ Continue to review, supplement and update unsuitable operational regulations and procedures; Complete regulations and processes for online, digital and e-banking/digital banking products
- ✓ Further promote the responsibility for self-identification of risks, complete self-review and reporting at the first line of defence; Strengthen supervision and control of credit activities' risks, especially those warned by the SBV;
- ✓ Continue to take measures to ensure information security, minimizing information security risks;

➤ **Second line of defence:**

- ✓ Enhance the role and responsibility of the second line of defence units in reviewing and completing risk management regulations, compliance control, especially for issues warned by management agencies;
- ✓ Continue to improve risk management efficiency in significant activities, especially for credit activities and outsourcing activities;

➤ **For high-level management supervision:**

- ✓ Timely direct and complete correction of recommendations from the results of IA's audits, inspections and examinations by relevant agencies;
- ✓ Continue to direct/supervise the implementation and results of the implementation of the SBV's requirements in official dispatches, directives, and warnings from time to time.

This is the end of the SB's report and we would like to extend our thanks to Shareholders, the BOD/BOM and all VPBank employees for facilitating our task implementation by the provisions of the Law and completion of all the tasks assigned by the shareholders.

We look forward to a successful AGM!

**Recipients:**

- *AGM;*
- *The BOD, CEO;*
- *Supervisory Board (for filing)*

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

(Singed)

**KIM LY HUYEN**