SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom - Happiness

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REPORT OF CEO ON BUSINESS PERFORMANCE IN 2018 AND BUSINESS PLAN FOR 2019

Attention to: - Shareholders;

PART I: BUSINESS PERFORMANCE IN 2018

Vietnam's socio-economic situation in 2018 had many positive changes. GDP grew by 7.08% in comparison with 2017 (the highest growth rate since 2008), the ratio of actual social investment capital to GDP reached 33.5%, fulfilling the target set by the National Assembly which is from 33-34%, CPI was controlled under 5% (that of 2018 was 3.54%), trade surplus was over USD 7 billion. Business and investment environment have been continuously improved, and assessed positively by both domestic and foreign investors under the conditions of trade war as well as escalating international protectionism..

A flexible monetary policy was operated by the State Bank of Vietnam. Total means of payment increased by 11.34% (2017 ~ 14.19%), capital mobilization increased by 12.5% (2017~14.5%), outstanding loans increased by 14% (2017 ~ 16.96%). The liquidity is stable. Bad debts were controlled and settled, NPL ratio of 2018 slightly decreased to 1.89% (2017 ~1.99%).

Military Commercial Joint Stock Bank (MB) implemented 2018 plan with motto **"Innovation, Modernization, Cooperation and Sustainable Development"**, focusing on fulfilling business targets, and implementing strategic solutions as planned. MB has accomplished positive results as follows:

1. Business performance in 2018

No	Indicators	2018 Plan	2018 Results	Compared to 2017	Compared to 2018 Plan
1	Total assets	Increase by 11%	362,325	115.4%	104.2%
2	Chatter capital	Increase by 19%	21,605	119.0%	100.0%
3	Deposits from customers	Increase by 11%	239,964	109.0%	97.8%
4	Loans and advances to customers	Increase by ~15%	214,686	116.6%	101.0%
5	Non-performing loan ratio	<1.5%	1.33%		
6	Profit before tax	6,800 billion	7,767	168.3%	114.2%
	Of which Bank's separate result	*6,500 billion*	*7,030*	131.3%	108.2%

7	Dividend payout ratio (*)	≥11%	~11%		

Source: Separate and Consolidated Financial Statements 2018; Unit: VND billion

(*)Not including bonus stock

MB successfully fulfilled and over fulfilled 2018 business targets assigned by the General Meeting of Shareholders. Total 2018 Operating Income reached~ VND 19,537 billion, 41% higher than 2017. Consolidated profit before tax exceeded 14% of the target, at VND 7,767 billion. Performance indicators were as follows ROE ~19.41 %, ROA ~ 1.83% and MB was among most efficient banks in the market.

MB focused on developing and strengthening employees' capacity, improving training methods, and prioritizing training sale forces. Digital solutions (CRM, BPM, M-Office, Smart RM, etc.) were deployed in providing services and internal operations. Working efficiency increased. Average profit before tax (PBT) per headcount (Bank only) was at ~ VND 826 million a year (increased by 23% compared to that of 2017).

Business quality and all safety limits are well controlled in compliance with Government's regulations, such as NPL ratio at ~ 1.33% (Bank only at ~ 1.21%), CAR at ~ 10.9% (SBV regulation at ≥ 9%), the ratio of short-term funds used for medium and long-term loans ~ 33.45% (SBV regulations at ≤ 45%), LDR (bank only) at ~ 73.3% (SBV regulations at ≤ 80%), reserve ratio ~ 18.83% (minimum requirement ~ 10%).

Business improvement solutions for branches/transaction offices were positively implemented. At the end of 2018, MB had 299 transaction points (covering 53 cities and provinces across the country, 2 branches in Lao and Cambodia, 1 representative office in Russia), that increased by 14 transaction points in comparison with 2017. MB completed changing the recognition image for 100% of transaction points with young and active outlook which attracts customers.

Member companies also successfully fulfilled their 2018 business plan with PBT reached VND 715 billion, accounted for more than 9% of the Group's total profit. Cross-selling between the bank and member companies had good improvement. Member companies completed their restructuring; MIC's contributed capital at MIC Invest had been transferred into MBAMC's contributed capital at MB Land. Newly established companies had high growth rate. For example, MB Ageas Life had bancas revenue reaching top 2 position in the market, and plans to have profit in their 3rd year; M-Credit strongly implemented their business performance and had profit since their first year.

2. Corporate governance

Strategy:

MB synchronously implemented its key strategic projects to ensure progress, prioritized to strengthen information technology capacity such as digital banking project, focused on risk management in accordance with Basel 2, set up data ware house system (DWH), and improved product design solutions, etc.

Various marketing programs/campaigns were deployed under digital banking transformation strategy.

Business activities: MB implemented new business models while maintaining its business efficiency in all segments, as follows:

Firstly, MB promoted retail banking, of which, individual loans reached VND 81,011 billion, increased by 35% in compared with that of 2017, accounting for 37.7% of total outstanding loans (2017~32.6%). MB also completed its community banking model led by SME.

Secondly, MB had breakthrough in providing services and deployed effectively cross-selling business models for insurance (bancas), card services, digital banking and investment banking (IB). Fee income reached VND 2,561 billion, increased by 2 – 3 times in compared with that of 2017, accounting for 13% of total income (2017 ~ 8%).

In 2018, MB launched many outstanding digital utilities which are customer-centered such as MBBank app, associated services with Viettel, MB-Vin ID Visa card (collaborating with Vingroup), E Port with New Port for Import-Export companies, Number 1 community bank with SME Care, and provided social payment infrastructure for Social Insurance and State Treasury.

Moreover, MB implemented Private banking consulting project with Bordier, which is expected to be completed and kickoff in Quarter 2/2019, to set up business model targeted priority customers..

Last but not least, MB had planned to improve business activities, business image and service quality on transaction floors.**Management activities:**

MB continued to strengthen risk management capability and completed credit risk rank scoring modelling project (Scoring), probability of default modelling project (PD), loss given default modelling project (LGD), exposure at default modelling project (EAD), MB also applied model which control tightly all banking risks, and prepared all requirements for the SBV to approve MB to apply Basel II standards before the deadline (expected to be in Quarter 2/2019)

MB focused on developing and strengthening employee’s capacity, prioritized developing the sale forces. MB completed training programs for Top 50, 100 and implemented Leadership program. MB improved training methods; increased practical experiences with 76% of RM had completed title training framework and 375 GAP closing training courses, increased business efficiency.

MB also completed signing 5 year consultancy contract for technology capacity transfer with IBM, to create a breakthrough change in IT infrastructure of MB in coming years. In 2018, MB completed upgrading T24 system into R16, BPM system, Way 4, Citad, DWH, etc., IT security met international standards such as PCI DSS 2018 and ISO 27001. Availability rate of core systems (T24, BPM, Card, etc.) reached over 99.9%.

Operation – evaluation – approval - centralized accounting models were completed. Hence, MB improved business procedures, products as well as customer experiences, and shortened transaction time.

Administrative reforms were strongly conducted, focusing on upgrading supporting tools in corporate operation as well as customers' transactions such as: Customer Relationship Management (CRM), Business Process Management (BPM) helps to process and manage key procedures for serving customers (credits, international payment, cards, etc.), Smart RM, M-Office softwares, etc.

On the other hand, MB focused on internal audit and compliance activities. We completed a set of service quality standards and time commitment with customers, in association with customer experiences in using MB's services.

MB also maintained internal political stability and MB corporate culture as well as focused on building Party with more than 2,200 Party members. The bank has been continuously awarded as strong and clean Party unit, strong mass organizations and comprehensive strong unit for many years.

Lastly, MB always cared about their corporate social responsibilities as they took part in various charity activities to share the community difficulties. In 2018, MB contributed VND 2,200 billion to the state budget for gratitude and social security, and VND 150 billion has been used.

3. Shortcomings and Limitations

- Marketing and market approaching activities have not been properly invested.

- IT infrastructure capacity has not met the pace of business development.

- The process of administrative reform, shortening customer services procedures is still low.

- There are still differences and incomprehensiveness in level of capability to manage and control risks at different management levels.

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PART II: BUSINESS ORIENTATION FOR 2019

1. Business targets in 2019

National economy is stable with improved business environment, inflation is under controlled. GDP is forecasted to grow 6.7% – 6.8% in compared with that of 2018. Average CPI is forecasted at 4–5%.

SBV continues managing active and flexible monetary policy, contributed to stabilize monetary market, support economic growth and control inflation. Total means of payment growth is set at 16%, outstanding loans increase by ~15%. On the other hand, credit institutions have competitive pressure comes from foreign banks and other financial institutions in the context of integration, open market and development; SBV will strengthen their management on financial institutions, align with international standards.

MB will continue following its goal **"Maintaining the target of Top 5 Commercial Banks in terms of business efficiency and safety"**, with key management on **"Promoting digital business, marketing; comprehensively implementing community bank and SME care; Developing retail banking, services and continuing refreshing transaction offices".**

Business Plan for 2019:

No.	Indicators	2019 Plan	Growth
1	Total Assets	405,340	Increase by ~ 12%
2	Charter Capital	25,841	Increase by ~ 20%
3	Deposits from customers	273,696	Increase by ~ 14%
4	Loans and advances to customers	257,118	Increase by ~ 20%
5	Non-performing loan ratio	Maximum at 2%	
6	Profit before tax	9,895	Increase by ~ 27%
	Profit before tax (Bank's separate)	*8,525*	Increase by ~ 21%
7	Dividend payout ratio	Expected ~14%	

2. Key solutions in 2019

Strategy:

Firstly, MB will focus on implementing 8 key strategic projects (App MBBank, changing and upgrading advanced IT system, CRM and Smart RM, BPM, PD, changing training methods and enhancing leader capability, Loyalty, digital marketing) to ensure the progress and create strong changes.

Secondly, we will complete the standardized corporate management model; especially standardize manager and company management quality. Moreover, cross-selling efficiency in the group will be enhanced.

Business Activities:

MB will deploy customers on segments as well as design and implement business model which focuses on customer experiences such as promoting community banking project – SME care.

We will prioritize developing digital products and services as well as upgrading functions of App MBBank, One Office, Web MB, etc. We will implement Digital Banking Marketing project to change the image and market approaches of MB.

Moreover, MB will focus on designing products based on new methodology and implementing Innovation Lab model.

We will complete retail business models, prioritizing card development, Bancas, Investment Banking (IB) activities and FDI customers.

Management Activities:

MB will focus on business development solutions as well as strictly controlling credit quality by completing organization with 3 lines of defense according to Resolution 13 and standards of Resolution 41/Basel 2 as well as improving methodology of internal supervision based on risk map, in order to prevent incurred risks.

Secondly, administrative reforms will be conducted strongly, credit process, card issuing process will be improved, and 30% of internal regulations in MB will be reduced. SLA will be applied comprehensively, of which, E2E time for core products will be assigned.

MB will enhance our brand value and promote marketing align with improving service quality.

Head Office's organization will be streamlined; branches/Transaction Offices' operational model will be standardized. Training quality will be improved. MB will complete mechanism, policies and remuneration for employees associated with their working efficiency. Moreover, MB will also strengthen its human resources as well as have Top50 plan and high quality HIPO.

MB's cultural values will be encouraged to create teamwork, solidary and discipline, MB will bring into full play the collective strength of MB with its own cultural identity. MB would maintain political stability and organize emulation programs for celebrating MB's 25th year anniversary.

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In 2018, MB has fulfilled the targets assigned by AGM/BOD. On behalf of the Board of Management and MB staff members, I would like to express sincere gratitude to SBV, the Ministry of Defense, relevant agencies, Shareholders, Customers, and Partners of MB for supporting MB throughout the years and hope to receive further support and guidance from SBV, Ministry of Defense and cooperation from all of you in the future.

I wish you all health, happiness and success!

CHIEF EXECUTIVE OFFICER

(Signed and Sealed)

Luu Trung Thai

Recipients:

- *Shareholders;*
- *BOD Chairman;*
- *BOD/SB;*
- *Archives: Planning and Administrative Department.*