SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

No.: 219/BC- MB-HDQT

Hanoi, April 05th , 2021

REPORT OF THE BOARD OF DIRECTORS OF MILITARY COMMERCIAL JOINT STOCK BANK
Re.: Regarding: Perform duties and right in 2020 and the 2021 business plan

To: **General Meeting of Shareholders of Military Commercial Joint Stock Bank;**

PART I: SUMMARY REPORT OF THE 2020 BUSINESS OPERATIONS

1. General situation

The world economic situation in 2020 is heavily affected by the Covid 19 pandemic in all areas. In Vietnam, the pandemic broke out in the first months of the year, but under the skillful and drastic leadership of the Party and the Government, our country's economy gradually recovered in new normal and became a bright spot when GDP growth was among the highest in the world, the dual goal of economic growth and disease control was completed. In particular, GDP in 2020 increased by 2.91% while global GDP growth at the same period was 2.5% according to the World Bank's forecast, CPI remained ~ 3.23%, capital invested for the entire society reached VND 2,164.5 trillion, increased by 5.7% compared to 2019 and equal to 34.4% of GDP.

The State Bank continues to operate flexible and strict monetary policy in 2020: Total payment instruments, deposits from customer and credit growth increased by 12.56%, 12.87% and 12.13% respectively, the State Bank of Vietnam (SBV) reduced the interest rate three times, the stability of exchange rate is remained to support businesses affected by the pandemic, and bad debts are strictly controlled.

2. 2020 business results of the Board of Directors (BODs)

2.1. Direct the implementation of the contents approved by the General Meeting of Shareholders (GMS) in 2020

In 2020, the BODs actively implemented/directed to implementation of the tasks, right and resolution of the GMS in strict compliance with legal regulations, following the motto "**Consolidation of the foundation, digital transformation; comprehensive, effective and sustainable growth**" and the principle "Supremacy of Law". MB continues to pursue the strategic vision of "MB becomes the most convenient bank", stick to the goal "**TOP 5 Commercial Banks in terms of business efficiency and safety**" and completed the programs/ plans assigned by the GMS in 2020, specifically:

2.1.1. Orientate and direct to complete of the 2020 business plan

In 2020, the entire Group (including the Bank and subsidiaries) made efforts to actively, proactively and flexibly implement the solutions to overcome the effects of the Covid-19 pandemic, towards digital transformation, cost savings, and safe and stable growth. The BODs quickly accessed to technologies and applications to deploy many flexible forms, making sure that management activities in accordance with MB's customs and business activities were still run smoothly and continuously. Accordingly, MB completed and exceeded the business targets set by the GMS; ranked **TOP 30 largest enterprises in Vietnam** according to VNR500 ranking (up 7 compared to 2019). Some outstanding results in 2020 are as follows:

The consolidated profit before tax of MB and its subsidiaries reached VND 10,688 billion, grown by 6.5% compared to 2019 (in which, the bank's profit before tax reached VND 9,698 billion, grown by 4.4% compared to 2019. It took 5th place in the banking industry); this is the second year MB continued to be in the list of the enterprises with profit of over VND 10 trillion in Vietnam. Good credit quality: The Group's non-performing loan (NPL) was 1.09% and the Bank's NPL is below 1% (under the level in 2019 and assigned level).

Subsidiaries actively implemented many business solutions in the context of general difficulties of the market caused by the Covid-19 pandemic; made every endeavour to maintain its position (MBS was among TOP 3 in IB consultancy, MIC is among the TOP 6 companies with largest market share). Total profit before tax of subsidiaries in 2020 reached ~ VND 1,418.8 billion, increased by 19.4% compared to 2019 and completed 124% of the set plan. Such result made an important contribution in the overall results, helping the entire Group achieve the set plan while the Parent Bank saved resources and profits to implement the supporting solutions for customers affected by Covid under the general policy of the Government and the State Bank. Cross-selling activities of the subsidiaries/Group gained positive results with Total revenue from cross-selling of ~ VND 663.4 billion, increased by 17% compared to 2019; taking the entire Group to TOP 1 of market share in Bancas sales.

As a listed organization, MB provided transparent information, regularly updated the operation situation on the mass media, the website of the bank and stakeholders; accordingly, MB was honored to be selected in **TOP 6 listed enterprises meeting the disclosure standards in the Large Cap 2020** (the group with a large market capitalization in the year), according to the results of the IR Awards 2020.

2.1.2. Direct the implementation of the Plan to increase charter capital

During the year, the Board of Directors (BODs) strived to fulfill its commitments to shareholders when MB successfully increased the charter capital in the second period of 2019 through private placement and the sale of 21.4 million treasury shares to foreign shareholders as professional investors, creating a surplus value of ~ VND 1,176 billion; added charter capital in 2020 to VND 27,988 billion through stock dividend at a rate of 15% and completed the plan to distribute treasury shares to existing shareholders in accordance with the plan approved by the GMS. MB's enterprise value increased by 31.9% compared to 2019 (from VND 48,374 billion at the end of 2019 to VND 63,782 billion at the end of 2020); MB shares are highly liquid. Accordingly, MB satisfied, to some extent, the expectations of investors/foreign investment funds who wish to hold MBB shares, strengthened the ownership ratio of a number of strategic partners and shareholders such as Viettel Group, Saigon Newport Corporation, Vietnam Helicopter Corporation, State Capital Investment Corporation (SCIC). MB's shareholder structure continued to be maintained high stability and uniformity in executive management and joint development cooperation.

2.1.3. The extraction of funds (including funds for voluntary and social works), profit distribution and dividend payments extracted from the undistributed profits in 2019 ensures publicity, transparency and conformity with the resolution of the 2020 GMS.

MB completed the stock dividend for financial results in 2019 at a rate of 15%. Regarding the plan to stock dividends from business results in 2020 at an expected rate of 11% - 15% approved by the 2020 GMS, a dividend payout ratio of ~ 35% was proposed in the method for stock dividend to increase charter capital, ensure long-term capital capacity and maintain the CAR of MB over 10%, fulfill MB Group's growth targets and submit to the 2021 GMS in the Statement No. .../TTr-MB-HDT on ... April, 2021 on approval of the plan to increase charter capital.

Following the direction throughout the Board of Directors - Board of Management - all employees together with the motto "social responsibility", the whole Group and subsidiaries contributed to the State Budget of over VND 1,780 billion and actively participated in voluntary and social security programs with a value of ~ VND 70.5 billion for community development under the key areas: Covid-19 pandemic prevention (provision of equipment and materials for the Ministry of Health, equal to VND 10.5 billion and support for areas affected by the pandemic such as Da Nang city, Quang Nam province, Quang Tri province); gratitude programs (construction of 65 gratitude houses, upgrade of the Martyrs Cemetery of Nam Dinh province and the contributions to the Gratitude Fund of the Ministry of Defense); new rural construction; investment in education; donations (Nghe An, Quang Binh, Quang Tri, Quang Nam, Quang Ngai and Thua Thien Hue provinces) for flood relief.

2.1.4. Remuneration and operating budget of the BODs and its members, Supervisory Board (SB) and its members

Members of the BODs and the SB are entitled to receive remuneration, salary, bonuses and other benefits according to the work performance and the Bank's business results, making sure that the use of remuneration funds and operating budgets of the BODs and the SB is within the limits approved by the 2020 GMS, following MB's charter, internal rules on salary/remuneration, and current regulations.

2.1.5. On the completion of MB's internal documentation system

The BODs directs to review/complete/set MB Group's principles/standards/processes/policy framework according to regulations and practices on effective governance; to research and use the Law on Enterprise, the Law on Securities, the Law on Investment and the Labor Code at MB and its subsidiaries subject to operational characteristics. During the year, the BODs orientated the principles, objectives, roadmap for conversion and appropriate application subject to the Project of Internal Documentation Planning; concentrate on the completion of the hierarchy of authority system, internal rules (Rules on hierarchy of authority of the BODs, Regulations on information disclosure of MB, Policies on Personnel Administration, Standards of Professional Ethics and Code of Conduct, Labor Regulations, etc.) by strengthening senior management/supervision, making adjustment/update under new regulations of law and instructions of state management agencies.

2.2. Results of implementation of the administrative and executive tasks:

2.2.1. Direct the implementation of the Banking Sector Development Strategy

The BODs directed the implementation of 4 strategic transformations: "**Digital Bank**", "**Improvement of customer relations**", "**Enhancement of risk management capacity**", "**Effective operation management of subsidiaries**" based on 3 pillars (Community Bank, Professional Bank by industry, Digital Bank) and 2 platforms (Outstanding risk management and fast execution capacity) with 11 key strategic projects to achieve the objectives given at the beginning of the year, namely: i) Lead in digital transformation, in which App MB and Biz MB products dominate the market in terms of speed, technology and efficiency; ii) Continuously invest in modernization of IT infrastructure and digital platforms to serve transactions with customers such as BPM, Smart RM, PD, etc. iii) Synchronize technology solutions and digitalization investment according to the roadmap, enhance connection and maximize the ecosystem between the Bank - Subsidiaries for pushing the cross-selling. As a pioneer in Digital Transformation, MB used 3 digital platforms to facilitate transactions of the retails and wholesales, with breakthrough growth in attracting new customers (over 1.9 million new users and 90 million electronic transactions, 3 times higher than that in 2019); successfully deployed the eKYC (electric Know Your Customer) which can identify the customer through face and voice on MBBank App. At the same time, the Bank focused on digitalization in credit processes, completed the scoring/rating model for Micro SME and Upper SME segments. Also in 2020, MB expanded and improved the partnership with many reputable corporations, groups and organizations at home and abroad; creating many promising prospects for business development, expansion of customer base and value chain, adding more values to MB’s shareholders and customers.

2.2.2. On the organizational structure of BODs, the committees, and improvement of corporate governance capacity

MB's Board of Directors for the period of 2019 - 2024 consists of 11 members; including 10 members in charge of management and administration (6 full-time members) and 1 independent member in accordance with law. The Board of Directors organize and assign the Members subject to their own specialty and experience, in accordance with the legal regulations (in which, independent member who hold a position as a member of the Risk Management Committee give his/her opinions on all matters to be submitted to the BODs). The Members make efforts to implement and complete the tasks under the regulation and the plan assigned by the GMS; to work with BOSs, the Board of Management in the senior management - administration - supervision, improving the work performance of MB, its subsidiaries.

In addition to actively coordinating with the Board of Directors in organization of comprehensive/unexpected/professional inspection and audit programs in MB Group, the BODs exchanges regularly to update and support the Board of Management, the representatives of subsidiaries and business units to solve problems and fulfill business activities. During the year, the meetings of the BODs and its Committees were held quarterly; The BODs collected the opinions to timely solve the problems under its competence as prescribed; the Committees of the BODs (Senior Management Committee, Risk Management Committee, Human Resources Committee) also held regular/urgent meetings to promptly consult the BODs on relevant contents (In 2020, the BODs, its Committees and Councils held 41 meetings and 59 written opinion polls).[1] In addition, the Chairman and members of the Board of Directors actively promoted the role and spent a lot of time working directly with the parties to assess the operational situation and give the practical orientation/direction.

The training and education to improve capacity in management and administration are focused by the Board of Directors. In 2020, due to the impact of the Covid-19 pandemic, members of the BODs, BOSs and capital representatives at Subsidiaries attended dozens of training courses on banking governance opened by the reputable partners at home and abroad ("Director Certification" programs are denounced by the Vietnam Institute of Directors (VIOD) with technical support of the International Finance Corporation (IFC), the programs on operations of the Board of Directors jointly organized by VIOD and Deloitte in the context of the Covid pandemic). The Bank, its Subsidiaries and Shinsei Bank actively co-organized the Risk Management Seminars with regards to digital banking business model,

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[1] *List of the Resolutions/Decisions of the BODs in 2020 and Report on transactions between MB, its subsidiaries, the companies controlled by MB and members of the BODs and the relevant persons; transactions between MB and the company in which member of the BODs is the founder or manager listed in MB's 2020 Corporate Governance Report (publicly posted on MB’s website: Investors)*

Group Risk Management Model of Ageas. The programs provided MB's Board of Directors and senior managers with valuable information/knowledge about the advanced, effective corporate governance model and especially updates on corporate governance and development trends during the pandemic.

MB's governance practices are highly appreciated: According to the results of the **sustainable development assessment of Ho Chi Minh Stock Exchange - HSX for listed enterprises in 2020, MB increased by 5% compared to 2019 and higher than the industry average** (in which the management score increased by 10% compared to the 2019 and the highest compared to other components).

2.2.3. Concentrate on building and developing human resources

In the context of the pandemic, the Board of Directors oriented human resources management in 2020 towards the streamlined business processes at Branches and management units at the Headquarters; the completed structure of specialized departments (Information Technology, Risk Management) and subsidiaries according to new business requirements. During the year, the Board of Directors evaluated and arranged the senior personnel in the system in accordance with the new strategy and business models; trained senior personnel/heads of business units; created a group of skilled, dedicated employees who are willing to welcome challenges; through objectives, principles, criteria for personnel selection and evaluation, key programs in 2020 to plan and reach the TOP 50, TOP 100. The Board of Directors appointed 03 members of the Board of Management, adding youth and creativity to the executive team; Accordingly, the structure of senior leadership of the Bank is diverse in generation, creating a team which not only has a lot of experience, retain the necessary culture of the Group but plus the agility, flexibility and innovation of the younger generation. At the same time, the BODs completed the important regulations/policies on human resources; focused on the employee engagement policy to give them peace of mind to work by motivational mechanisms, preferential stocks, life insurance policies for employees and their relatives.

2.2.4. Improve risk management capacity in accordance with Basel II standards and SBV guidelines

MB strictly complied with the provisions of law and the SBV to manage the safety limits as prescribed and to ensure sustainable and effective development. MB's NPL rate was 0.92% by the end of 2020 (lower than NPL in 2019 of 0.98%) and the entire Group’s NPL rate in 2020 was 1.09% (lower than the rate planned by the GMS of 1.9% and the Group’s NPL in 2019 of 1.2%). MB implemented full provisions, NPL coverage rate of the provisions for credit risk was always at the highest level and reached ~158.9% (in the high-level group of the market), the ratio of short-term funding used for medium- and long-term loans was 31.6% (≤ 40% according to SBV regulation), CAR reached 10.42% (≥ 8% according to SBV regulation), preparing a preventive measure and the availability of financial resources to compensate for the extra customer risks. During the year, the BODs issued the Credit Risk Management Strategy 2020, Regulation on internal control system at MB, Regulation on internal credit rating system; approved the methodology of scoring modeling for the micro SMEs segment, the methodology of PD and EAD modeling for the retail segment (Retail) and the plan on implementation of important risk management projects (Internal Capital Adequacy Assessment Process (ICAAP) project, Financial crime Risk Management (FCRM) project) based on the advice of reputable partners and in the close proximity to the advanced risk management models. These projects helped MB further strengthen the barriers to prevent/identify and mitigate risks in operational aspects, creating a solid foundation for business development and safe operations.

2.2.5. Improve technological capacity to ensure high availability of core systems and timely response to digital transformation

In 2020, MB continued to methodically invest in IT systems, creating a foundation to implement digital transformation with the goal of becoming "the most convenient bank", and a breakthrough growth in the number of customers and transactions on digital channels since 2017. The transaction rate on MB's digital channels was up to 85%. Two of MB's products and services with high technology content were MBBank APP for Retail (awarded with the title "Sao Khue 2019") - there was a time to surpass many famous apps in the world in order to become TOP 1 in highest downloads from App Store in Vietnam (more than 1.86 million new users in 2020) and a Digital Platform connecting businesses - BIZ MBBank for Corporate Customer (awarded with the title "Sao Khue 2020" with 40,000 users).

In order to meet the increasing demand (in the next years, the number of customers and the transaction rate on digital channels will surely make a big stride), the BODs directed/oriented to carry out the plans on procurement/investment in technology systems, the recommendation for enhancing the capacity of core systems with the aim of improving customer experience (Core and off-Core systems of MB, the package of providing tablets and data services under Smart RM project, application of VDI - Virtual Desktop Infrastructure, Smart OTP solution, Oracle database backup solution and Oracle database uniformity, data center expansion in phase 3, new technology solution to connect with Active - Active Data Center, etc.

2.2.6. Commencement of investment in key projects to enhance MB's image and brand

In November 2020, on the occasion of its 26th anniversary, MB officially opened a new and spacious headquarter at MB Tower (No. 18 Le Van Luong, Trung Hoa, Cau Giay, Hanoi) with many smart utilities, specialized areas for customer care and employees. This was an important milestone on the Bank's development journey over the past 26 years and affirmed that MB was one of the best workplace in the banking industry in Vietnam. Strategic investment and development projects for the MB headquarters in key areas such as the headquarters at 54 Dien Bien Phu, Da Nang City or Binh Duong Province, etc. commenced. The Board of Directors continued to find the right location for the headquarter in Ho Chi Minh City to increase the brand image for MB Group in the South. At the same time, following the orientation of the Board of Directors, up to now, 06 Subsidiaries have completed the relocation of their headquarters to MB Tower at No. 21 Cat Linh & MB Tower at No. 3 Lieu Giai and changed the brand identity under the parent bank, expressing itscharacteristics, and conveying their messages while creating a close connection with the Group's brand.

3. Results of supervision of Board of Management

In 2020, the CEO and members of the Board of Management managed and run all the banking operations in accordance with the direction and orientation of the Board of Directors as well as the law; the capacity in business and administration of the Bank was improved, creating some positive breakthroughs in strategic changes. It focused on boosting the coordination among the members of the system, especially in cross-selling, supply of products and services to customers with huge economies of scale.

Thus, in 2020, MB's Board of Directors actively performed the administration and management as committed at the General Meeting of Shareholders. MB maintained internal stability, good risk management, solidarity, strict compliance with the legal provisions, and ensured a continuous and safe operating system in the context of the Covid-19 pandemic. At the same time, MB successfully organized the Party Congress at all levels, especially the 6th Party Congress of the Bank's Party Committee, in the period of 2020 - 2025. MB's governance practices were highly appreciated by the organizations: MB ranked TOP 30 largest enterprises in Vietnam according to VNR500 ranking and was honored to be named in the TOP 6 listed enterprises meeting the disclosure standards in the Large Cap 2020 (in the group with a largest capitalization of the market during the year) according to the voting results of IR Awards 2020; At the same time, MB was presented many major awards such as: Emulation flags from the Prime Minister, the Minister of National Defense and the Governor of the State Bank.

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PART II: 2021 OPERATION ORIENTATION

1. Overall situation:

During the Covid 19 pandemic, many major economies in the world have negative growth such as the US economy is -3.5%, EU economy is -7.4%, so Vietnam's economy is a bright point in 2020 with positive growth of +2.91%. At the same time, the (CPI - Consumer Price Index) Inflation increased by 3.23%, within the scope permitted by the National Assembly; VND/USD exchange rate is stable, almost unchanged since the beginning of this year. The Industrial Sector continues to hold a key position in 2020 with a growth rate of 3.98%, contributing 53% to the overall growth of the economy. The trade balance of goods witnessed a surplus of $19.1 billion, the largest figure ever. Vietnam succeeded in implementing the "dual goal", pandemic prevention and economic development.

In 2021, it is forecasted that the global economy will achieve the more positive growth at 5.5% (according to IMF), but there are still under potential risk caused by the Covid-19 pandemic, subject to the production speed and capacity of countries around the world, and global trade tensions. Year 2021 is the time that the 13th National Party Congress will take place with many new orientations for the country; it is also the start of the 5-year plan (2021 - 2025), in which the Government targets average annual growth rate of 6.5% per year. The Government continues to implement flexible monetary policy for economic development and expansionary fiscal policy together with control of the spread of Covid-19, supporting consumption recovery and increase in trade, enhancing institutional reform and improving the business environment.

Once the pandemic is under control, the banking industry is expected to make a positive recovery in 2021 with an expected credit growth of 12%. In the context that bank interest rates on loans and deposits from customer continue to decrease, it is forecasted that in 2021, industry-wide revenue will gain the growth of 15% - 20% depending on the scenarios. Revenue will come from personal growth thanks to credit growth and efforts to improve productivity, optimize costs, and increase the bank's revenue source.

2. Orientation of business activities:

2021 is an important transitional year for MB to successfully implement the 2017 - 2021 strategy. MB continues to stick to its strategic goal of "**Becoming the most convenient bank**", **"maintaining Top 5, striving for Top 3 in terms of quality and business efficiency, leading in digitalization**", with the motto "**Digital acceleration, Breakthrough in retail sector; Safety – Efficiency"**, along with the planned growth indicators in 2021, including: Total assets, Profit before tax and Maximum NPL increased by ~11%, 20% and 1.5%, respectively. In case the Covid-19 pandemic may break out again, the Board of Directors orientates to develop a backup scenario with the prudent, safe indicators and appropriate measures.

In 2021, MB will review the implementation of the 2017 - 2021 strategy and prepare the MB Banking - Finance Group Development Strategy for the new period of 2022 - 2026. MB is determined to accomplish strategic objectives, follow 3 pillars (Community Bank, Professional Bank by industry, Digital Bank), 2 platforms (Outstanding Risk Management, fast execution capacity); effectively implement 4 strategic changes: building digital bank; strengthening customer relationships; improving risk management capacity and effectively managing the activities of subsidiaries. MB continues to invest in and build brand equity at the regional scale; to improve and add the more value of corporate culture; to concentrate the intensive investment in human and technology for sustainable competitiveness and service quality (application of Robotics for core processes, completion of management features to improve labor productivity, to streamline the human resources apparatus on the basis of digitalization, automated robots, etc.). MB will update and apply the advanced governance practices of the market; manage the operations of subsidiaries through the mechanisms/standards in order to closely monitor the efficiency on the basis of increasing the self-reliance of companies and proportion of profit contributions of companies in the Group in accordance with strategic objectives.

On the basis of inheriting the achievements, the Board of Directors selects the consultants to evaluate, complete and supplement the Group Development Strategy for the period of 2022 - 2026, finish the financial group model on the digital platforms for strong connection of the customer ecosystem, services and products between banks and its subsidiaries. MB continue to build and develop the Group's business activities, including activities of MB, its subsidiaries in Vietnam and overseas (based on conversion of a Branch into a 100% foreign owned bank or joint venture in Cambodia, study of the investment/cooperative business models in other countries), and the affiliates in order to achieve digital transformation, business growth, enhance competitiveness and reputation of MB, its subsidiaries. Taking advantage of cooperation and development opportunities, MB continues to seek capital investment plans that bring high efficiency through M&A, capital contribution/transfer of appropriate investments; promote MB Group's growth in the regions (through growth potential in the Southern Region and measures to overcome difficulties for the Central Region heavily affected by the Covid-19 pandemic, natural disasters, stable growth for the Northern Region, etc.); launch MB's headquarter in Ho Chi Minh City to expand MB Group's image and brand.

In order to meet the demand on capital, compliance and investment capacity for expanding the network in line with the business development goals, stabilizing shareholder structure, MB plans to implement a increase in charter capital in the period of 2021 - 2023 through: (1) issue ordinary shares to pay annual dividends to existing shareholders at an expected rate of 10% - 15% per year; (2) make private placement at the rate of 1% - 2%/MB's charter capital/year (total amount for 3 years does not exceed 4% of MB's charter capital as at 31 December 2023) for enterprises engaging in the fields of finance/fin-tech/business platform/telecommunications/chain business who are capable of and willing to cooperate to create a platform for connecting and developing Customer Base, a digital ecosystem for long-term benefits (including one or several major shareholders of MB).

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With the challenging business goals in 2021, in the context that the global economy continues to be difficult due to the impact of the Covid 19 pandemic, the Board of Directors, Board of Supervisors and Board of Management make efforts to find new chances and research appropriate solutions for accomplishing the set goals. MB is committed to ensure maximum benefits for partners, shareholders and customers, to stabilize shareholder structure, to implement benefits for shareholders in accordance with the law; and to deploy the solutions in order to strengthen long-term financial capacity, constantly improve service quality with the aim of bringing more convenient solutions and adding more value to you.

After 26 years of continuous development, MB believes that, along with the concern and support of shareholders, the uniformity in the executive directions of the Board of Directors, Supervisory Board, Board of Management, the effective and enthusiastic support of relevant agencies, departments, customers, and the striving spirit and solidarity of the employees, MB will continue to grow strongly, being one of the leading banks in Vietnam in terms of business efficiency and safety.

I wish you all health, happiness and success!

Recipients:

- *All shareholders;*

-*BODs/BOSs;*

- *Archived: BODs' Office, Planning Department.*

ON BEHALF OF BOARD OF DIRECTORS

CHAIRMAN

(Signed & Sealed)

Le Huu Duc