SOCIALIST REPUBLIC OF VIETNAM

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Hanoi, 14th June 2020

No: 403/BC-MB-BKS

REPORT OF THE SUPERVISORY BOARD
ON ANNUAL GENERAL MEETING OF SHAREHOLDERS 2020

To: Shareholders of Military Commercial Joint Stock Bank

Pursuant to the Law on Credit Institutions No. 47/2010/QH12, Law No.17/2017/QH14 amending and supplementing a number of articles of the Law on Credit Institutions and guiding documents;

Pursuant to the Charter of Military Commercial Joint Stock Bank (MB) and the Regulations on Organization and Operation of the Supervisory Board of Military Commercial Joint Stock Bank;

The Supervisory Board of MB would like to report to the Annual General Meeting the following main contents:

I. THE SUPERVISORY BOARD'S THE PERFORMANCE IN 2019

2019 was a year of change between the Supervisory Board of the period 2014-2019 and 2019-2024, while the State Bank of Vietnam (SBVN) applied many new regulations on auditing, supervising and risk management. The Supervisory Board of MB has endeavored to implement and successfully fulfilled its tasks in 2019 in accordance with the laws, internal regulations and plans approved by the General Meeting of Shareholders (GMS); innovated operation method, coordinated well with the Board of Directors (BOD), Board of Management (BOM) in control/supervision and consultant activities to further improve operational efficiency and safety of MB and its member companies; continued to strengthen the internal control and risk management system. Details as follows:

1. Renovating/strengthening operations and personnel of the Supervisory Board

- The Supervisory Board for the period 2019-2024 was elected by the General Meeting of Shareholders on April 27, 2019, consisting of 04 members working on a full-time basis. After the General Meeting of Shareholders, the Supervisory Board held a meeting to elect Ms. Le Thi Loi as the Head of Supervisory Board in accordance with the regulations.

- With the motto of **Professional - Standard - Effective**, the Supervisory Board for the period 2019-2024 focused on renovating the organization and operation method: (i) The members of the Supervisory Board were assigned tasks suitable to competence and experience in the direction of linking supervisory activities with management and business activities of MB. The scope of supervision covered the whole system from Head Office to domestic branches, foreign branches and member companies; (ii) Implemented regular/irregular working programs of the Supervisory Board; (iii) Strengthened the mechanism of task assignment and performance evaluation according to KPIs of the Supervisory Board members'.

2. Results of MB Supervisory Board operations

- In 2019, the Supervisory Board fully performed its functions and duties, organized and implemented the working programs and periodic meetings as prescribed, ensured comprehensive and timely supervisory activities. Through supervisory activities, the Supervisory Board gave many recommendations to the Board of Directors and the Board of Management, focusing on: (i) Implementing the directions of the State Bank/Ministry of Defense; (ii) Strengthening human resources to meet development requirements; (iii) Continuing to strengthen and improve the operational efficiency of the network system (branches, transaction offices, representative offices), member companies; (iv) Enhancing credit quality controls and recovery of non-performing loan; (v) Accelerating the implementation of strategic projects according to the set plan/roadmap; (vi) Investing to increase IT system capacity and enhancing controls to ensure security and safety of IT activities; (vii) Improving the supervision of transactions with related parties...

- The supervising results showed that: MB's activities complied with the laws, financial statements faithfully reflected MB's business results and complied with the regulations on preparation and presentation of financial statements. MB's safety ratios were maintained at a stable and better level compared to the requirements of the state management agencies, MB seriously implemented the Resolution of the General Meeting of Shareholders and achieved high quality results.

2.1. Directing internal audit activities at MB

- During the year 2019, the Supervisory Board directed the formulation and approved the issuance of Internal Audit Strategy for the period 2019-2021, oriented the training/development and transformation of the internal audit capacity according to the IIA and Basel practices; Supplemented internal audit resources to ensure the capacity to deploy activities according to the development of MB; Approved the internal audit plan in 2020 as prescribed.

- Directed and supervised the Internal Audit Department to complete and exceed the audit plan. The audit results showed that: there were not material issues in MB' activities, the financial situation was transparent, the internal control system has met the SBV's regulations and MB's internal governance requirements according to the advanced practices. The audit results provided important recommendations/advice which needed to complete in order to comply with the regulations, enhance the operational efficiency and reduce risks for MB.

2.2. Directing control activities at the Member companies

The Supervisory Board of MB implements the supervision at member companies through MB's representatives who are the Head of Supervisory Board/Supervisor. In 2019, MB's Supervisory Board provided additional resources of the Head of Supervisory Board/Supervisor for member companies, renovated working methods; Approved the adjustment of KPIs of Head of Supervisory Board/Supervisor to better link with its functions, duties and KPIs of the member companies; Directed the Head of Supervisory Board/Supervisor of member companies to complete their 2019 operational plan, including the Internal audit plan with more than 50 implemented auditing programs. Through the audit and supervising results, the Supervisory Board have recommended strengthening the internal control and risk management system at the member companies, contributing to improving the member companies' operational efficiency, completing business plans, and together with MB to affirm the position and reputation as a versatile financial corporation in the market.

3. Supervisory results on Bank's activities in 2019

The Supervisory Board performed the supervision tasks in accordance with the laws, the Charter of MB and the Resolution of the General Meeting of Shareholders with the following results:

3.1. Supervising of governance activities

After the 2019 General Meeting of Shareholders, the BOD of MB organized and implemented corporate governance activities in accordance with the provisions of law, MB's Charter and advanced governance practices; elected the Chairman, Vice-Chairmen and assigned tasks to the Board members in accordance with their competence and experience, details as follows:

- Strengthened and enhanced the operational quality of Board of Directors and their Committees in a professional and modern manner, in accordance with the provisions of law and advanced governance practices, contributed to improving operational efficiency and enhancing the senior supervisory role of the Board of Directors.

- Organized and directed to implement and basically completed the Resolutions of the General Meeting of Shareholders such as: (i) Completing beyond the 2019 business plan; (ii) Completing the 2018 profit distribution plan and paying dividends to shareholders; (iii) Revising the Charter of MB and promulgating the Regulations on Organization and Operation of the Board of Directors, the Internal governance regulations of MB in accordance with the Resolution of the General Meeting of Shareholders.

- The Board of Director paid high attention to human resource development, staff planning and training to ensure stable and sustainable development; Directed the implementation of strategic projects according to its roadmap, the projects' results have been applied effectively in business management and operations; MB and member companies' activities grew strongly, the total profits before tax increased nearly 2 times compared to 2018, some companies successfully completed their profit plans, especially MBAL and MBC.

- Directed to successfully organize the MB's 25th anniversary of establishment creating internal solidarity and enhancing the image and brand name of MB in the market. MB was honorably awarded the First National Defense Medal and many certificates of merit and emulation flags from state management agencies and awards from international organizations.

3.2. Supervising of management activities

Under the direction and supervision of the Board of Directors/Supervisory Board, MB's Board of Management has been proactive and creative in managing its business operation, successfully completed its assigned tasks, basically controlled risks and ensured the security and safety in operation, details as follows:

- Completed beyond the assigned business plans, the scale and efficiency indicators grew strongly and comprehensively compared to 2018; maintained the position of TOP 5 of joint-stock commercial banks on performance efficiency through ROE and ROA ratio.

- Focused on implementing strategic shifts and achieved positive results: (i) Strongly shifting digital and retail banking; (ii) Enhancing the deployment and investment of comprehensive transformation projects on IT systems and infrastructure; (iii) Improving service quality; (iv) Strengthening risk management and capital safety activities in accordance with the practices and regulations of SBV and being approved by SBV to apply Circular 41/2016/TT-NHNN in advance.

- Implemented the restructuring plan associated with settlement of bad debts under the National Assembly's Resolution No. 42/2017/QH14 and Decision No. 1533/QD-NHNN of the State Bank of Vietnam.

- Launched a new brand identity across the whole MB's system and all member companies, creating a new, youthful and synchronized image of MB Group.

3.3. Conducting financial statements appraisal and supervising MB financial/business results

- The Supervisory Board has directed and supervised the financial data; coordinated with independent auditors in auditing MB's 2019 financial statements and appraising the separate and consolidated financial statements in 2019 as prescribed. The results showed that the Ernst & Young, an independent auditing company, has performed an independent role and given an unqualified opinion for MB's 2019 financial statements, MB's financial situation was transparent and the business result was reflected honestly.

- The Supervisory Board assessed that MB complied with the regulations on financial safety ratios and successfully completed the business plan approved by the General Meeting of Shareholders, the growth in scale and efficiency was better than 2018, the profit before tax surpassed the threshold of VND 10,000 billion for the first time.

4. Attention contents

Besides the achievements mentioned above, the Supervisory Board noted that the BOD/BOM should continue to direct/implement the following contents: (i) The Charter capital did not fully increase in accordance with the Resolution of the General Meeting of Shareholders in 2019 (due to market conditions); (ii) IT system errors still happened, however, its causes were found and promptly fixed, generally no loss for MB; (iii) the progress of construction completion and relocation of the head office to No. 63 Le Van Luong street was slower than planned; (iv) A few branches/units still occurred cases of noncompliance with regulations.

II. COORDINATION MECHANISM OF SUPERVISORY BOARD

The Supervisory Board cooperated with the Board of Director, General Director, and shareholders in implementing the tasks in accordance with the laws and internal regulations:

- Discussing with the Board of Directors and General Director about the Supervisory Board's operational plan, the mechanism for supervising, working/exchanging information periodically on the results of activities and supervision of the Supervisory Board. The Supervisory Board agreed with the Board of Directors and General Director about the risk-based internal audit plan, the mechanism of reporting audit results, the results of audit recommendation completion. The recommendations/suggestions/opinions of the Supervisory Board were endorsed and implemented by Board of Directors and General Director with an appropriate progress, contributed to improving operational efficiency, minimizing risks and strengthening MB's internal control system.
- The Board of Directors promptly informed the Supervisory Board about meetings of the BOD and its Committees; The Supervisory Board assigned personnel to participate all BOD’s meetings and give opinions/recommendations in making decisions on matters under the Board of Directors’ authority, contributing to improving the efficiency of governance, management and risk management. Besides, the Board of Directors and the General Director actively supported the Supervisory Board in organizing and implementing the activities of the Supervisory Board and internal audit.

III. REMUNERATION AND OPERATING COSTS OF THE SUPERVISORY BOARD

The Supervisory Board members are entitled to remuneration, salary, bonus and other benefits associated with the position, performance and the annual business results of the Bank. Remuneration and operating expenses of the Supervisory Board are implemented in accordance with MB Charter, internal regulations and relevant laws. The total remuneration and operating costs are within the budget approved by the General Meeting of Shareholders.

IV. ORIENTATIONS OF SUPERVISORY BOARD FOR 2020

1. Orientations for operation for 2020

- Innovating and improving the operational efficiency of the internal control and audit system of MB and member companies.
- Adding value to MB and member companies through internal audit and supervision activities.
- Complying with the provisions of the laws, internal regulations and applying advanced practices to supervision and internal audit activities.

2. Operation plan for 2020

- Continuing to strengthen the personnel, organization and renovate the supervisory activities professionally and on full-time working basis; Considering to supplement the title of Deputy Head of Supervisory Board to support the Supervisory Board activities; Re-evaluating the capacity and rotating appropriately the position of Head of Supervisory Board/Supervisor of member companies.

- Performing supervisory duties according to the provisions of the laws, the MB's Charter, the Resolutions of the General Meeting of Shareholders, focusing on: Supervising compliance with the regulations on senior supervisory activities at MB; supervising the execution of MB and member companies' strategy; supervising financial situation, risk management activities; supervising the investment and trading assets and outsourcing; supervising the handling and recovery of non-performing loan in association with bank restructuring plan; supervising the divestment in member companies, the transactions with related parties, the implementation of new business activities (if any) and compliance with the Resolutions of the General Meeting of Shareholders and the Board of Directors.
- Directing and performing the senior supervision on internal audit and control activities at MB and member companies.
- Directing the development of internal audit strategy at member companies; Continuing to study the application of IT to the supervisory activities of the Supervisory Board and the audit activities at MB and member companies in accordance with the digital transformation orientation of MB. Carrying out other related tasks as prescribed.

V. RECOMMENDATIONS OF THE SUPERVISORY BOARD

Based on the operation results of the Supervisory Board in 2019 and the situation of banking industry in general and MB in particular, the Supervisory Board proposes to the General Meeting of Shareholders, the Board of Directors and the Board of Directors as follows:

1. Recommendations to the General Meeting of Shareholders:

- Approve the report of the Supervisory Board, the Board of Directors and the Board of Management at the General Meeting of Shareholders.

2. Recommendations to the Board of Directors, Board of Management:

- Continue to revise and strengthen the systems invested to enhance the capacity of MB, especially the IT system to meet the digital transformation requirements while ensuring safety, security and operational efficiency; Build the creative business and financial/risk management solutions to quickly adapt to the Market - Economy - Society situation, in order to well implement the plan submitted to the 2020 General Meeting of Shareholders in the context of difficult market due to the impact of Covid-19 pandemic.
- Fully implement the direction of the Government, the Ministry of Defense, and the SBV in the prevention and response to the Covid-19 pandemic and other activities.
- Continue to direct the implementation and completion of the Supervisory Board's recommendations in the period.

On behalf of the Supervisory Board, I would like to express my sincere thanks to the State bank of Vietnam, Ministry of Defense, state authorities, the Shareholders, the Board of Directors, the Board of Management for always facilitating us to implement duties and responsibilities.

The Supervisory Board would like to wish you health, happiness and success!

Sincerely. /.

Recipients:
- The Shareholders
- Board of Directors;
- Supervisory Board;
- General Director, Board of Management;
- Save: BOD Office, Supervisory Board.

B/O. THE SUPERVISORY BOARD
Head of the Supervisory Board

(Signed & sealed)

Le Thi Loi

APPENDIX RESULTS OF MB BUSINESS ACTIVITIES

Unit: VND billion

No	Indicators	2019 Plan	2019 Result		
			Amount	Compared to 2018	Compared to 2019 Plan
1	Total assets	Increased ~11%	411,488	Increased 13.6%	Exceeded
2	Charter capital	Increased ~20%	23,727	Increased 9.8%	Uncompleted
3	Deposits from customers	Increased~12%	292,409	Increased 19.8%	Exceeded
4	Loans and advances to customers	Increased ~15%	264,920	Increased 18.6%	Exceeded
5	Non-performing loan ratio	≤2%	1.16%		Exceeded
6	Profit before tax	Increased~23%	10,036	Increased 29.2%	Exceeded
	of which Bank's separate result	Increased~19%	9,286	Increased 32.1%	Exceeded
7	Dividend rate	~14%	Expected ~15%		Exceeded
8	ROE		21.79%	19.4%	
9	ROA		2.1%	1.83%	

(Source: Audited separate and consolidated financial statements of MB)