SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

No: 402 /BC- MB-HĐQT

Hanoi, 14th June 2020

REPORT OF THE BOARD OF DIRECTORS OF MILITARY COMMERCIAL JOINT STOCK BANK

Regarding: Perform duties and right in 2019 and action plan in 2020

Attention to: **General Meeting of Shareholders of the Military Commercial Joint Stock Bank**

PART I: REPORT ON OPERATING PERFOMANCE IN 2019

1. General situation

The world economic situation and global trade tended to grow slowly: strategic competition and trade tensions among major economies, rising gold prices, volatile crude oil prices, high risks in the international market. The domestic economy remained stable, inflation was well controlled and the major balances of the economy were strengthened and expanded. GDP increased by 7.02%, inflation was controlled at low level, the average CPI increased by 2.79%, the lowest in 3 years.

Banking industry saw positive changes. The State Bank of Vietnam (SBV) continued to manage the monetary policy flexibly, the total means of payment increased by 12.1%, capital mobilization increased by 12.5%, credit growth was 13.65%, and non performing loans were strictly controlled and strongly restructured weak performing banks.

2. Operational result in 2019 of the Board of Directors (BOD)

2.1. Directed the implementation of the contents approved by the General Meeting of Shareholders 2019

In 2019, the Board of Directors actively implemented/directed the implementation of the tasks, right and resolution of the General Meeting of Shareholders on the basis of strict compliance with the law with the motto "**Efficiency, Safety, Sustainability Development** "and the principle "Utmost compliance with the law". MB continued to pursue the strategic vision of "Becoming the most convenient bank", sticked to the strategic objective "**TOP 5 Commercial Banks on business efficiency and safety**" and has completed the Program/plan assigned by the General Meeting of Shareholders in 2019, specifically:

2.1.1. Directed to complete the 2019 business plan

In 2019, the Board of Directors has directed the whole system to make efforts in implementation of business activities with the above-mentioned motto and the spirit of "battle fiercely and create a difference". Accordingly, MB has completed and exceeded the business plan targets with some outstanding results as follows:

Consolidated profit before tax of MB and its subsidiaries reached VND 10,036, an increase of 29.2% compared to 2018 (of which, the bank's profit before tax reached VND 9,286 billion, up 32.1% compared to 2018); helped MB to join the group of enterprises with profit of over VND 10 trillion in Vietnam. Credit grew by 18.6%, in line with the limit required by the State Bank of Vietnam, and exceeded the set plan. Average labor productivity/person increased by 20% compared to 2018.

The subsidiaries continued to operate effectively, safely, contributed to the overall success of MB. Specifically, profit before tax of subsidiaries reached VND 1,114 billion, which was 53% higher than 2018; some typical companies such as MB Ageas Life, a life insurance company with a profit of VND 205 billion after 3 years of operation (one of the few life insurance companies in the world can be profitable after only 3 years of operation) and MBCapital ranked second in industry in term of profit, with the highest ROE and labor productivity in the industry.

2.1.2. Directed the implementation of the plan to increase charter capital

As of December 31, 2019, with the completion of increasing charter capital to VND 23,727 billion and good business results, MB's market capitalization increased by 15.1% compared to 2018 (up from VND 42,021 billion at the end of 2018 to VND 48,374 billion at the end of 2019). The plan to increase the charter capital of MB phase 2.2019 to VND 24,370 billion through the sale of treasury shares and private placement to partners has been completed in the first quarter of 2020, contributing to MB's stock liquidity and high preference to hold by investors.

2.1.3. The provision of funds (including Charitable Social Work Support Fund), profit distribution and dividend payment from the remaining profit in 2018 ensured publicity, transparency and compliance with the resolutions of the General Meeting of Shareholders 2019

MB has completed the dividend payment plan for the financial results in 2018 at the rate of 14%, of which 6% is paid in cash and 8% is paid in stock. Regarding the plan to pay dividends in 2019 at an expected rate of 14%, which was approved by the 2019 Annual General Meeting of Shareholders, implemented Directive No. 02 / CT-NHNN dated March 31, 2020 of the SBV on the implementation of solutions to overcome difficulties in the context of epidemics, the State Bank of Vietnam instructed the credit institutions not to pay cash dividends to focus resources on sharply reducing lending interest rates for current loans and new loans; therefore, MB did not pay cash dividend of 2019. The BOD proposed dividend payment for the financial results in 2019 at the rate of 15% in all by shares and submitted to the Annual General Meeting of Shareholders 2020 for approval in Proposal No. 405 / TTr-MB-HĐQT dated 14 / 06 / 2020 regarding Approval of audited financial statements and profit distribution plan of 2019.

During the year, MB contributed VND 2,500 billion to the State Budget and paid VND 225 billion to Social Insurance. At the same time, MB spent 136 billion for community development programs. In particular, MB funded to build schools in Thai Binh and Yen Bai and supported study encouragement to help students in difficult circumstances; implemented gratitude activities through giving gratitude houses, giving gifts to war invalids families, contributing Gratitude Gratitude Fund ...; actively responded to the program "The country joins hands for the poor", assisted people in disaster-stricken areas.

2.1.4. Remuneration and operating budget of the Board of Directors, Supervisory Board

The use of remuneration fund and operating budget of the Board of Directors and the Supervisory Board was within the limit approved by the General Meeting of Shareholders. Members of the Board of Directors and the Supervisory Board were entitled to remuneration, salary, bonus and other benefits based on the performance results and the annual business results of the Bank, ensured compliance with the MB's Charter and internal regulations of MB on salaries/benefits, relevant current regulations.

2.1.5. Regarding the completion of the Internal Management Regulation, the Regulation on Organization and Operation of the Board of Directors and the internal normative documents system of MB

The Board of Directors directed the review/finalization/establishment of MBGroup's core principles/standards/processes/policies in accordance with the regulations and operating characteristics, effective management practices and the Basel 2 implementation roadmap. At the same time, the Board of Directors strengthened the organization and operation mechanism of the Board of Directors, the Committees of the Board of Directors (amended the Charter, the Regulation on internal governance, the Regulation on organization and operation of the Board of Directors; amended the Regulation on organization and operation of the Personnel Committee and the Regulation on organization and operation of the Risk Management Committee; developed and issued a new Regulation on the organization and operation of senior management according to common practices which are appropriate to the Resolution of the General Meeting of Shareholders and effectively meeting the effetive operations of the Bank); Reviewed and consolidated the decentralized authority system in the direction of strengthening high-level governance/supervision, in compliance with the regulations and guidelines of the SBV (Circular 13/2018/TT-NHNN and Circular 41/2016/TT-NHNN….) and suitable with the new model.

2.2. The results of directing the implementation of the major tasks of the system

2.2.1. Directed the implementation of the Banking Development Strategy

The BOD has directed the implementation of four strategic shifts, "**Digital Banking", "Consolidating customer relations", "Improving risk management capabilities", "Managing operational efficiency of member companies”** with 3 pillars (Community Bank, Professional Banking by Industry, Digital Banking) and 2 platforms (Outstanding risk management and Fast execution capacity) with 10 key strategic projects supporting positively for business operation. Specifically: MB completed the project "Innovating training methods", contributing to increase the execution capacity for the system; strongly implemented the Loyalty Project for High-end Individual Customers segment in cooperation with Bordier & Cie Singapore; pioneered in investing, researching and deploying digital banking features with App - MB Bank applications for Individual Customers and Enterprise Customers (BizMB); completed the A-score grading model for core products of Individual customers and completed the innovation lab model, which attracted a large number of interested customers to use, contributed to help the total net frofit from services to increase by 43.9%; strongly deployed cooperation/exploitation of customers' base with subsidiaries and strategic partners. After 3 years of implementing the strategy for the period of 2017 - 2021, MB initially made many important marks in business activities, affirmed its prestige and position in the financial market.

2.2.2. Regarding the activities of BOD and committees, improvement of corporate governance capacity

2019 was the year to transfer the Board of Directors (BOD) between 2 terms. MB's Board of Directors for the term of 2014 - 2019 was elected with 11 members, including 10 executive members, 6 full time members, and 1 independent member, to ensure organizational structure in accordance with the law. The Board of Directors for the term 2019 - 2024 continued to have personnel from the previous term and added a number of new personnel who were representatives of strategic shareholders (Military Industry and Telecommunications Group - Viettel, Saigon New Port Corporation, Vietnam Helicopter Corporation, State Capital Investment Corporation - SCIC). The transfer and implementation of the Board of Directors' operation for 2 terms had effective succession.

The new Board of Directors quickly grasped, strengthened the organization, assigned tasks to the members based on expertise and experience of each member, in accordance with the law, (of which, the Independent Member of the Board of Directors was assigned to be a member of the Risk Management Committee and contributed opinions on all issues submitted to the Board of Directors). BOD members endeavored to implement and successfully completed the tasks in accordance with the regulation and the plan assigned by the General Meeting of Shareholders; coordinated well with the Supervisory Board, the Executive Board in high level governance - administration - supervision, helped to improve the operational efficiency of MB and its subsidiaries. The operation of a full-time BOD member model continued to be operated according to good governance practices. Also, the management quality was of a high standard thanked to the multidisciplinary management experience from full-time members of the Board of Directors and members who were senior leaders of large enterprises and corporations - strategic shareholders of MB. In particular, MB supplemented the training sessions for the Board of Directors Membership Certificate organized by the Vietnam Board of Directors (VIOD) for new members of the Board of Directors and the Supervisory Board.

The Board of Directors established a Senior Management Committee during the year; consolidated of Personnel Committee, Risk Management Committee and Councils under the Board of Directors (the Emulation and Reward Council at the Board level, the Risk Handling Council). In 2019, Board of Directors, Committees and Councils of the Board of Directors held 50 meetings and 105 times to collect written comments to promptly resolve issues within their rights as prescribed. In addition, the Chairman of the Board of Directors and the Board members actively promoted the role and spent more time working directly with the subsidiaries to accurately assess the operation situation and orient / direct in accordance with reality. *The list of resolutions/decisions of the BOD in 2019 is published in MB's 2019 corporate governance report (publicly posted on MB website: Investors Section).*

The Board of Directors cooperated regularly with the Board of Supervisors in supervising the activities of the Board of Management and Representatives at subsidiaries; organized comprehensive and irregular auditing programs by thematic issue in units in MB and subsidiaries, in accordance with the law; results of legal and general audits of MB were appropriate and transparent.

2.2.3. Focused on building and developing human resources

The Board of Directors for the term of 2019-2024 continued to trust and reappoint the CEO of MB in accordance with the laws and internal regulations of MB. At the same time, the BOD directed the evaluation and arrangement of senior personnel in the system. The development of high quality top personnel; building a competent, dedicated and willing to face challenges staff are always a priority focus. The Board of Directors directed the planning and development of the Top 50, Top 100 development program, which was a high quality human resource for MB and its subsidiaries; directed the implementation of the program "Leader Shift", Director of experience, increased rotation to train, challenge and evaluate potential personnel, contributed to the high availability of the system. During the period, the Board of Directors rotated/appointed a number of key Executives/Deputy Executives and senior personnel at MB and its subsidiaries; directed and consolidated personnel regulations/policies, which focused on policies to engage employees, help employees feel secured to endeavor and contribute to the organization (through compensation mechanisms, ESOP programs, life insurance for employees and relatives, gratitude programs for employees who have worked for more than 10 years with the Bank on the occasion of the 25th anniversary of establishment).

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

MB strictly complied with the provisions of the law and the SBV, strictly managed the safety limits as stipulated, ensured sustainable and effective development. During the year, the Board of Directors issued a Regulation on risk provisions at MB, a methodology to build a business customer ranking model and directed the development/consolidation of Labor Regulations, Regulations on Internal Control System; which separated the responsibilities/functions of the units, reinforced barriers to prevent/identify and minimize risks in the operational aspects. Accordingly, the NPL ratio of MB by the end of 2019 was less than 1% (lower than the plan assigned by the General Meeting of Shareholders of 1.5% and the 2018 NPL is 1.2%), lower than the banking-wide NPL (~1.8%). MB made a full provision, the provision/NPL ratio was always higher than 80% and reached to 128% as of December 31, 2019, which helped bank to prevent and prepare financial cushion to offset customer risk. With thorough and serious preparation, MB was approved by the SBV to apply Basel II/Circular 41 standards to management before the deadline from May 1, 2019.

2.2.5. Improved technology capacity to ensure high availability of core systems and timely response to digital shift

The Board of Directors directed to continue to invest in IT transformation with consultancy of IBM - a strategic IT consulting partner to enhance the technology capacity, ensure high availability of core systems and timely response to digital mobility; at the same time, deployed the purchase of Total Security Monitoring Solution to improve information security systems, network security and ensure compliance with Circular 18/2019/TT-NHNN.

2.2.6. Invested in key projects to enhance the image and brand of MB

Strategic projects on investment and development of the Bank's headquarters in key areas such as MB's headquarter project at 63 Le Van Luong, Hanoi; upgrade the infrastructure of MB transaction points ... were implemented with high quality.

During the year, the Board of Directors approved to select Prophet as a partner to implement the Digital Marketing Strategy throughout the system. In November 2019, on the occasion of the 25th anniversary of establishment, MB successfully launched a new brand identity, which was a milestone for MB's past development journey for 25 years, and also the beginning of the next development period in the position of a dynamic financial group, positioned as a smart bank, commit to continuously innovate to provide innovative and safe solutions, along with the dynamic life and development of every individual and business customer. At the same time, MB's subsidiaries were also in the process of adjusting brand identity, associated with MB's brand identity.

3. Supervision results of the BOM

In 2019, the management of all aspects of banking operations of the CEO and Executives was conducted in accordance with the direction and orientation of the Board of Directors and in accordance with the law; business capacity and corporate governance have been improved, created some positive breakthroughs when implemented strategic shifts. Collaboration among members of the system was promoted, especially in cross-selling, providing product and service packages to customers and taking advantage of scale.

Thus, in 2019, MB's Board of Directors actively implemented its executive and management functions in accordance with the commitments with the General Meeting of Shareholders. With effective results, in 2019, MB joined the group of enterprises with profits of over VND 10,000 billion in Vietnam and Top 500 banks having highest brand value globally. MB maintained internal stability, managed risks well, united, followed strictly the provisions of the laws and created many breakthroughs and effective changes in operations. With contributions to the Vietnamese Banking system in particular and the social community in general, MB was honored to receive the "First Class

National Protection Medal" by the State and dozens of other prestigious awards inside and outside the country.

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PART II: OPERATIONAL DIRECTION IN 2020

1. General situation

The global economy in 2020 may experience the worst recession since the Great Depression in 1930 due to the negative effects of the Covid-19 pandemic. The International Monetary Fund (IMF) forecasted that the world economy will decrease by 3% compared to 2019. The border blockade and travel restrictions disrupted the supply chain and created a supply-demand shock; oil prices fell to negative levels for the first time; China-US trade war was still likely to continue. In this context, many countries implemented loosening monetary policy and using fiscal policy to support the economy.

For Vietnam, the socio-economic situation was also affected by the Covid-19 pandemic. The government expects GDP to grow by 4.5% - 5.4% in 2020 (down 1.5% - 2.5% compared to the target), inflation is tightly controlled at 4%. The budget deficit is forecasted to increase in 2020 as the Government implements the fiscal package to help offset the negative impact of the pandemic. Tourism, transport, aviation, textile and manufacturing industries are seriously affected, business households and individuals are negatively affected. The demand for financial and banking services is reduced; credit growth is expected to be around 10% - 12%. In this context, the State Bank of Vietnam reduced the basic interest rate; directed solutions to support businesses such as debt repayment restructure, exemption and reduction of interest rates, fees ... This is a great challenge to the growth targets of the Government and the banking industry, especially the growth ability and asset quality.

2. Operational direction in 2020

2020 is an important pivotal year for MB to strive to accomplish its strategic development goals for the period of 2017 - 2021. The Board of Directors agreed on the motto **"Strengthening the foundation and digital transformation; comprehensive, efficient and sustainable growth"**; in which, **"digital transformation"** is a prerequisite strategic shift goal in the current period besides shifts in strengthening customer relations, improving risk management capacity and managing efficiently operation of subsidiaries. At the same time, MB continues to uphold the principle of **"Utmost complicance with the law"** with the goal of **"Maintaining the Top 5 in terms of operational quality and efficiency; Leading in digital applications".**

In the face of difficulties and challenges, especially the effects of the Covid-19 epidemic in global and in Vietnam in particular, followed the SBV's instructions on cost management, operational structure, actively handling Non performing loans, the Board of Directors, the Supervisory Board, and Board of Manageement of MB actively coordinated in governance - surveillance - operation and implemented many solutions to stabilize the business operations of the Group to minimize the impact of the pandemic (reviewed and assessed timely the level of impact on customers, offered preferential interest rate credit packages and implemented appropriate policies to customers; managed interest rates to ensure efficient funding cost; focused solutions on advantageous products and services; renewed the business model of trading floors and strongly shifted transactions to digital channels).

With the 2020 plan, MB has proactively developed a business scenario based on the market situation and the Covid - 19. Accordingly, MB aimes to maintain the profit before tax in 2020 at 90%

of the results of the year 2019, based on an assessment of the impact of the disease on business operations; strives to achieve the profit before tax equivalent to 2019 in favorable market conditions to get MB to be among the TOP 6 commercial banks with the highest profit before tax in the market and to achieve a high rank in accordance with provisions of SBV. MB expects to ensure the dividend payment rate of 2020 at 11-15%. This is an effort of MB to bring value to shareholders by ensuring regular dividend payouts annually, in the context of the business impact of Covid 19.

MB determines to successfully implement the banking development strategy based on 3 pillars (Community Bank, Professional Banking by Industry, Digital Banking) with 2 platforms (Outstanding Risk Management, Fast Execution Capacity). In order to prepare for long-term development, on the basis of lessons experienced, inherite and promote the achievements of the Strategy for the period of 2017-2021, MB and its subsidiaries are preparing to develop a Development Strategy for the next 5 years and vision to 2030.

In 2020, MB will continue to focus on investing in developing the brand value of the Bank and the whole group to reach to the regional level; consolidate and add value of corporate culture; strengthen human resources and invest in technology to increase competitiveness and get ready for the next stage of sustainable development.

In the coming period, MB will update and apply market trends, study advanced practices to complete the multi-purpose financial group model on digital transformation platform; strengthen the connection in ecosystem of customers, services and products between the bank, subsidiaries and strategic partners; optimize the network system and prioritize the digitization of transactions at the floor to use resources effectively.

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Business targets in 2020 are challenging in the context of the global economy showing signs of recession due to the impact of the Covid 19 pandemic. The Board of Directors, the Supervisory Board, and the Board of Management of MB are determined to make efforts, seek opportunities, research and implement suitable solutions to strive to achieve the plan. MB commits to ensure maximum benefits for partners, shareholders and customers, continue to stabilize shareholder structure, and implement shareholders' rights in compliance with the law; at the same time continue to implement solutions to strengthen long-term financial capacity, constantly improve the quality of service with the desire to bring utility solutions and add value to you.

After 25 years of continuous development, MB believes that, with the interest and support of shareholders, the unity in the management direction of the Board of Directors, the Supervisory Board, the Board of Management and the enthusiastic and effective support of relevant government agencies and departments, customers and the striving spirit and solidarity of the staffs, MB will continue to grow steadily and be one of the top banks in Vietnam in terms of efficiency and safe.

We wish all delegates, shareholders good health, happiness, success!

Recipients:

- *General Meeting of Shareholders;*
- *BOD/ SB;*
- *Archives: BOD office, Planning Department.*

ON BEHALF OF THE BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed and Sealed)

Le Huu Duc