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SOCIALIST REPUBLIC OF VIETNAM
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REPORT OF THE SUPERVISORY BOARD ON THE PERFORMANCE FOR THE PERIOD 2014 - 2019 AND THE ORIENTATION FOR THE PERIOD 2019 – 2024

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 on Organization and Operation of Military Commercial Joint Stock Bank;

Pursuant to the Regulations on Organization and Operation of the Supervisory Board of Military Commercial Joint Stock Bank,

Based on the operation of Military Commercial Joint Stock Bank, performance of the Supervisory Board of Military Commercial Joint Stock Bank (MB), the Supervisory Board of MB would like to report performance results of Supervisory Board for the period 2014-2019 and the orientation for the period 2019-2024 as follows:

I. THE SUPERVISORY BOARD'S THE PERFORMANCE FOR THE PERIOD 2014-2019 AND THE ORIENTATION FOR THE PERIOD 2019-2024

1. Members and meetings of the Supervisory Board

- Term 2014-2019 General Meeting of Shareholders ratified the election of Supervisory Board members for the term, including 4 members who have professional competencies, experiences in finance and banking section. Following General Meeting of Shareholders, Supervisory Board of MB met to vote Ms. Vu Thi Hai Phuong as Head of Supervisory Board; strengthened structure, regulation on organization and operation of the Supervisory Board and assigned tasks for Supervisory Board members, detailed as follows:

No	Name	Title	Type of work	Responsibilities	Appointed/ Resigned date
1	Ms. Vu Thi Hai Phuong	Head of Supervisory Board	Full time	Take overall responsibility of operation of Supervisory Board; supervise financial performance, appraise financial statements periodically; supervise risk management; supervise investments from equity; directly manage Internal Audit Department.	Appointed on 23/04/2014
2	Ms. Le Minh Hong	Supervisory Board member	Full time	Supervise the implementation of the Resolutions of the General Meeting of Shareholders; supervise operation of member companies; supervise transactions with related parties; prepare	Appointed on 23/04/2014

No	Name	Title	Type of work	Responsibilities	Appointed/ Resigned date
				books to monitor the list of founding shareholders, major shareholders and related parties.	
3	Mr. Dang Quoc Tien	Supervisory Board member	Full time	Supervise the efficiency of the branches/ transaction offices; supervise the implementation of strategy in the southern and central regions; supervise the handling and recovery of non-performing loan; direct the audit performance at branches in the southern and central regions.	Appointed on 23/04/2014
4	Ms. Nguyen Thanh Binh	Supervisory Board member	Full time	Supervise financial performance, appraise financial statements periodically; supervise the operation of MBS.	Resigned on 29/03/2018
5	Mr. Do Van Hung	Supervisory Board member	Full time	Supervise MB's strategic implementation; supervise the handling of non-performing loan; supervise investments from equity; direct the audit performance at Head Office Divisions, branches in the north regions and foreign branches.	Appointed on 29/03/2018

- Supervisory Board met periodically at least once every quarter. The meetings of the Supervisory Board focused on the assessment of supervisory results for MB and member companies; the enhancement of organization structure and internal regulations of Supervisory Board; performance of Supervisory Board members; direction of internal audit activities. Supervisory Board members fulfilled their roles and responsibilities and fully participated in meetings.

- Supervisory Board's meeting minutes have fully recorded contents of the meetings, participants, opinions of the Supervisory Board members. The Supervisory Board members have attended the meeting and signed the minutes in accordance with regulations. Meeting minutes have been archived at the Board of Directors Office and the Internal Audit Department.

2. Operation results of the Supervisory Board

2.1 The Supervisory Board for the period 2014-2019 has implemented the supervising duties in accordance with the provisions of law, the Charter of MB and the Resolutions of the General Meeting of Shareholders as follows:

- Supervisory of the governance, management activities and business results has shown that: Board of Directors and Board of Management of MB have organized, carried out duties in accordance with the provisions of law, the Charter of MB and the Resolutions of the General Meeting of Shareholders. The governance, management activities have been organized professionally, effectively and transparently. Business results of MB for the period 2014-2018 always completed/exceeded the plan approved by the General Meeting of Shareholders: chartered capital increased by 1.9 times, total assets increased by 1.8 times; 5-year accumulated profit before tax reached VND 22,429 billion, averagely increasing of 27.4% per year; maintained on the TOP of commercial banks on performance efficiency through ROE ratio; The average dividend rate was ~14.3%. In the period 2014-2019, MB received the title of Labor Hero of the State and many noble titles of the Government, the Ministry of Defense, the State Bank, Hanoi People's Committee on the achievements in business activities. The Asian Banker magazine ranked MB as the third among Vietnamese banks to be in the top 500 strongest banks in the Asia-Pacific region in 2018. Besides, rating of MB has been upgraded by international credit rating agencies such as Moody's and Fitch compared to the previous period.

- Supervisory and assessment results of strategic implementation in the period 2011-2016 shown that MB implemented successfully the strategy for the period of 2011-2016. The implementation of strategic solutions helped MB increase governance, management competencies, stable business development, increase prestige and maintain the market position. For the strategy 2017-2021, the Board of Directors and the Board of Management have drastically directed the units to keep abreast of the goals, implement initiatives in accordance with the scheduled progress and plan with initial achievements such as: Strong shift of digital banking channel; intensive cooperation with shareholders and major partners; investment in improving information technology system capacity; sharp increase in operational efficiency of member companies...

- In the period of 2014-2019, MB executed successfully the handling and recovery of non-performing loan. The result of non-performing loan recovery has always exceeded the assigned plan; NPLs have been controlled, NPL ratio has decreased from 2.73% in 2014 to 1.33% in 2018; MB is one of the first banks to fully complete the settlement of VAMC bonds in advance of maturity.

- MB divested in accordance with the provisions of Circular No. 36/2014 / TT-NHNN of the State Bank of Vietnam; actively directed member companies to enhance their organization structure, improve governance, management competencies, fully resolved financial backlogs and restructured period of member companies.

- The Supervisory Board has prepared books to monitor the list of founding shareholders, major shareholders of MB and related parties; performed supervising tasks and directed the internal audit department to audit related parties being member companies and transactions with major shareholders. The results shown that MB had no group benefits, all transactions/activities has been carried out in accordance with the provisions of law, internal regulations and ensured the balance of interests between MB and related parties.

2.2 Appraise the financial statements

- Head of MB Supervisory Board participated as the chair of the selection Board to select independent auditor for MB's separate and consolidated financial statements and proposed the Board of Directors MB for approval according to the authorization of the General Meeting of Shareholders, to ensure the independence and objectivity, contributing to financial transparency of MB.

- Directed Internal Audit Department, Head of Supervisory Board/Chief Supervisor of member companies to appraise the separate and consolidated financial statements of MB and member companies every 6 months and 1 year as regulated.

- Performed yearend financial review to promptly propose/advise the Board of Directors and the Board of Management to resolve outstanding debts with partners, properly record assets, revenue and expenses, contribute to reflecting fairly financial position of MB.

- Directed Internal Audit Department to verify the financial finalization of MB and advise the Board of Directors to approve annual financial finalization statements.

2.3 Establish internal control and supervision systems at MB and member companies professionally and efficiently:

- Strengthened the internal control and supervision system at MB, member companies and established the group management mechanism on internal control and audit: Head of Supervisory Board/ Chief Supervisor of member companies directly manage the internal control and audit activities at member companies; Head of Supervisory Board/Chief Supervisor of member companies report directly the Supervisory Board of MB on the operational results of the companies and the activities of the Supervisory Board of member companies periodically or at request.

- Developed and transferred internal control/audit methods, standards to the Supervisory Board, Chief Audit Executive of member companies to ensure consistent implementation throughout the MB Group system and further improvement of the operational efficiency of internal control and audit activities at member companies.

- The Supervisory Board recommended the Board of Directors personnel with appropriate competencies and experience to be of Head of Supervisory Board/Chief Supervisor at member companies. Head of Supervisory Board/Chief Supervisor of member companies has fulfilled their roles and assigned duties.

- In the period 2014-2019, the Supervisory Board directed Internal Audit Department, Head of Supervisory Board/Chief Supervisors of member companies to perform more than 150 audit engagements at member companies. The Internal Audit Department has carried out at least once comprehensive audit of all companies (excepted newly established companies). Internal audit recommendations focused on restructuring to improve the operational efficiency of member companies, in particular: developing strategies; strengthening organizational structure; appointing personnel/recruiting additionally senior personnel; issuing/amending important internal regulations and policies; investing and applying information technology to governance, management and business activities of the companies. Following the internal audits, corporate governance and business performance efficiency of the companies have improved markedly.

2.4 Direct to enhance the organizational structure and internal audit activities in accordance with the provisions of law, internal regulations and international practices of the Institute of Internal Auditors (IIA):

- Invested and improved MB Internal Audit’s competencies to ensure compliance with the provisions of law, internal regulations, international practices and to meet the requirements of the Supervisory Board, detailed: strengthening the organization structure professionally and effectively, promoting the role of the 3rd line of defense in 3 lines of defense model; orienting strategies and approving risk-based audit plans; developing audit methods, standards and process; issuing internal audit competency framework; recruiting qualified and experienced experts and auditors from reputable domestic banks and Big 4 auditing companies; investing and applying information technology into internal audit activities.

- With the orientation of shifting from traditional compliance audit, branch audit to risk-based audit, effectiveness audit, systems/processes audit, Internal Audit Department contributed significantly to the sustainable development of MB in the period 2014-2018. Through organizing and directing the implementation of over 230 auditing engagements at MB and member companies, the Internal Audit promptly recommended, advised MB and member companies: Improving the operational process; building and enhancing the internal control system/risk management; improving financial efficiency/ resource usage efficiency and recovering outstanding debts/ inappropriate expenses.

- The Supervisory Board directed the Internal Audit to hire independent consultants - PWC Vietnam Co., Ltd. to assess maturity level of MB internal audit according to international practice (IIA). The assessment results shown that MB internal audit have been built systematically, and highly professionally and on the top of Vietnam market.

2.5 The Supervisory Board's training to internal control and audit:

- The Supervisory Board focused on training to improve the competencies of the internal control and audit team at MB and member companies: During the period 2014-2019, the Supervisory Board organized over 100 training programs with various forms such as: Supervisory Board has directly trained for managers, experts of Internal Audit Department, Head of Supervisory Board/Chief Supervisor, Chief Audit Executive of member companies; sent personnel to attend local and foreign training courses/seminars, professional certification courses and foreign language courses; in-house training.

- Training results contributed to the improved competencies, qualifications of the internal control and audit system at MB and member companies. Internal control/audit personnel was appreciated and be a supplementary source for units of MB and member companies in future.

3. Coordination mechanism of the Supervisory Board

The Supervisory Board has coordinated efficiently with the Board of Directors, the Board of Management in carrying out duties and responsibilities:

- Agreeing on the supervision and coordination mechanism between the Board of Directors and the Supervisory Board. The Board of Directors, the Board of Management have facilitated the Supervisory Board to implement duties and responsibilities in accordance with the provisions of law and internal regulations, such as: performing independent supervision of governance and management activities; actively supporting the Supervisory Board in the recruitment, appointment, dismissal and approval of the salary and benefits mechanism for personnel of Internal Audit Department.

- Performing the role of the Audit Committee according to international practices, the Supervisory Board participated in all meetings of the Board of Directors, the Standing Committee of the Board of Directors, Committees under the Board of Directors and made timely recommendations/consultations on: strengthening corporate governance activities, risk management activities, financial management activities, senior management personnel at MB and member companies.

- The Board of Directors and the Board of Management fully endorsed the Supervisory Board's recommendations and directed units to strictly implement.

4. The orientation for the period of 2019-2024

4.1 The Supervisory Board's objectives:

- Excellently completing the duties and responsibilities of the Supervisory Board for the period 2019-2024.

- Enhancing the position of the Supervisory Board, the Internal Audit at MB and member companies.

4.2 The Supervisory Board's motto: **Profession - Standard - Efficiency.**

4.3 The Supervisory Board's operational orientation

- Carrying out supervisory duties in accordance with the provisions of law, focusing on: supervising the strategy implementation of MB and member companies; supervising senior management's activities; supervising financial performance, the handling and recovery of non-performing loan, asset procurement and liquidation, divestment in member companies, transactions with related parties, digital banking operations, emerging risks.

- Appraising periodically the financial statements in accordance with the provisions of law and internal regulations.

- Directing internal control and audit activities at MB and member companies.

- Proposing the selection of independent auditor auditing financial statements of MB and member companies.

4.4 Solutions

- Continuing to strengthen, innovate the activities of the Supervisory Board, the internal control and audit system on the basis of inheriting and promoting the achievements and overcoming the limitations of the term 2014 -2019 Supervisory Board.

- Coordinating closely with the Board of Directors and the Board of Management in implementing duties, responsibilities on the basis of agreeing on the coordination mechanism among the Supervisory Board and the Board of Directors and the Board of Management.

- Applying information technology in supervision activities of the Supervisory Board and the Internal Audit at MB and member companies.

- Building the professional and effective internal audit human resources; prioritize the development of internal audit human resources, especially information technology auditors.

- Applying international practices and standards on corporate governance and internal audit to activities of the Supervisory Board and Internal Audit Department.

II. THE SUPERVISORY BOARD’S THE PERFORMANCE IN 2018 AND THE PLAN IN 2019

1. The performance of Supervisory Board in 2018

- The supervising results of MB’s business activities shown that the Board of Directors and the Board of Management have strictly directed to implement and complete/exceed the 2018 business plan assigned by the General Meeting of Shareholders such as: total assets reached VND 362,325 billion, increased by 15.4% compared to 2017; Consolidated profit before tax reached VND 7,767 billion, growth of 68.3% (Bank's separate profit before tax reached VND 7,030 billion, growth of 31.3%), non-performing loan ratio controlled less than 1.5%; the dividend rate for 2018 expected to be 14%; amended Charter and increased charter capital upto VND 21,605 billion; spend the shareholder’s equity; remuneration and operation budget of the Board of Directors and the Supervisory Board within the approval of the General Meeting of Shareholders.

- The Supervisory Board has strengthened the internal regulations system of the Supervisory Board in accordance with the provisions of the Circular No. 13/2018/TT-NHNN of the State Bank of Vietnam, Resolutions of the General Meeting of Shareholders and international practices on internal control and audit such as: Regulations on organization and operation of the Supervisory Board; Regulations on organization and operation of the Internal Auditing Department; Professional ethical standards of the Supervisory Board members and Internal Auditors ...

- Directed MB Internal Audit Department and Head of Supervisory Board/Chief Supervisor of member companies to implement and complete the periodic/unexpected plan. Auditing findings and recommendations were highly appreciated and endorsed by the management of MB and member companies.

2. The plan of Supervisory Board in 2019

2.1 Continuing to strengthen the organization of the Supervisory Board for the period of 2019-2024.

2.2 Performing supervisory duties, focusing on: supervising senior management’s activities, supervising financial performance and investment activities of MB and member companies; supervising strategy implementation; bank restructuring in accordance with the regulations of the

State Bank of Vietnam in association with the handling and recovery of non-performing loan; supervising transactions with related parties.

2.3 Appraising financial statements every 6 months and annually.

2.4 Directing the implementation and completion of the internal control and audit plan of 2019.

2.5 Recruiting and improving the competencies of internal control and audit resources, focusing on information technology audit resources.

2.6 Coordinating with the Board of Directors to apply information technology in supervisory activities of the Supervisory Board and internal audit.

2.7 Actively coordinating with Board of Management, Board of Directors during the inspection of the State Bank of Vietnam and Tax Authorities.

3. Supervisory results on Bank's activities in 2018

Supervisory Board assessed that MB has successfully completed the business plan assigned by the General Meeting of Shareholders with dramatic growth compared to 2017, especially profit before tax, details as follows:

Unit: VND billion

No	Indicators	2018 Plan		2018 Result		Compared to 2018 Plan
		Value	Increased 2018/2017	Value	Increased 2018/2017	
1	Total assets	347,600	Increased 11%	362,325	15.4%	Exceeded
2	Charter capital	21,605	Increased 19%	21,605	19.0%	Completed
3	Deposits from customers	245,400	Increased 11%	239,964	9.0%	Uncompleted
4	Loans and advances to customers	212,500	Increased ~15%	214,686	16.6%	Exceeded
5	Non-performing loan ratio	<1.5		1.33%		Completed
6	Profit before tax	6,800	Increased 47%	7,767	68.3%	Exceeded
	of which Bank's separate result	6,500	Increased 21%	7,030	31.3%	Exceeded
7	Dividend rate	≥11%		Expected 14%		

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

- The Board of Directors has directed and oriented MB's activities in accordance with the Resolutions of the General Meeting of Shareholders and promptly solved issues under the authority of the Board of Directors.

- The Board of Management has carried out transparently and synchronously business activities, in accordance with the Resolution of the Board of Directors, approved strategy and plan.

- Implemented many strategic cooperation projects, invested in the information technology and system management infrastructure to increase operational efficiency, system capacity and competitiveness.

- Restructured member companies, successfully divested in MBLand in accordance with the provisions of Circular No. 36/2014/TT-NHNN of the State Bank of Vietnam, resolved the outstanding issues of MB and member companies. The business efficiency and results of member companies improved and increased dramatically compared to 2017, basically completed/exceeded the assigned plan.

- The results of cross-selling within MB Group increased sharply; the efficiency of the branches/transaction offices grew dramatically compared to 2017.
- Implemented of the State Audit's recommendations.

III. RECOMMENDATIONS OF THE SUPERVISORY BOARD

Based on the operational performance of the Supervisory Board for the period of 2014-2019, the Supervisory Board proposes as follows:

1. Strengthening the activities of the Board of Directors, Committees under the Board of Directors and Supervisory Board after the Term General Meeting of Shareholders. Revising internal regulations, policies in accordance with the amended Charter, provisions of law and international practices.
2. Supervising senior management's activities in accordance with the provisions of Circular No. 13/2018/TT-NHNN of the State Bank.
3. Increasing investment in information technology, research and development activities.
4. Speeding up the progress of strategic projects (projects of information technology, risk management, compliance and MB's head offices in Hanoi, Da Nang and Ho Chi Minh).
5. Continuing to implement the strategy for the period of 2017-2021 and breakthrough solutions for member companies after the restructuring period.
6. Implementing synchronously and effectively the provisions of Basel II in accordance with the direction and approval of the State Bank of Vietnam.

On behalf of The Supervisory Board, I would like to express my sincere thanks to the Shareholders, the Board of Directors, the Board of Management and state authorities for always facilitating us to implement duties, responsibilities according to the provisions of law and achieve missions assigned by the Shareholders.

The Supervisory Board would like to wish your health, happiness and success.

Best Regards./.

Receivers:
- General Meeting of Shareholders;
- Board of Directors;
- Supervisory Board;
- Board of Managements;
- Save: BOD Office, Internal Audit Department

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

(*Signed & Sealed)*

Vu Thi Hai Phuong