

**VIETNAM JOINT STOCK COMMERCIAL
BANK FOR INDUSTRY AND TRADE**

108 Tran Hung Dao Str., Hoan Kiem Dist, Hanoi
Tel: 04.39421030; Fax: 04.39421032
Tax code: 0100111948

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Hanoi, 14 April 2015

REPORT OF THE BOARD OF MANAGEMENT**BUSINESS PERFORMANCE IN 2014 AND DEVELOPMENT PLAN IN 2015**

In 2014, the world economy recovered in a slow and uneven manner, inflation reduced and the loose monetary policy was maintained in many countries to support economic growth. Many potential risks could be witnessed in the international financial market with the complex movements of gold price, the rising of USD price, the plummet of crude oil price and the geopolitical risk which were the causes of instability in some areas.

The domestic macroeconomic balances remained stable with GDP reaching 5.98%, CPI in December 2015 rising by 1.84% compared to the same period in 2013 - the lowest level recorded in recent years; Surplus estimated at USD 2 billion, an increase of more than 2 times compared to 2013. Gold and foreign exchange market maintained stable, exchange rates were controlled, foreign exchange reserves rose and VND position has been improved. Credit growth of the banking sector has contributed positively to the achievement of economic growth targets and social security. Credit structure shifted towards focusing on the direct production and business sectors as well as the priority areas for economic development according to the Government's policy. Deposit and lending interest rates fell by 1.5 - 2% p.a over the end of 2013, encouraging enterprises to borrow. The restructuring process of credit institutions continued to be drastically deployed; The results of NPLs settlement and financial capacity strengthening of credit institutions showed positive changes; The safety and transparency in the operation of the banking system has been improved, and the liquidity of credit institutions as well as the entire system was ensured.

The year 2014 marked a new term of service of the Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade, the new Management team has been continuing to make best use of the internal banking and governance capability as well as implement reform policies, lead the entire system of VietinBank to make efforts in business activities with the aim of achieving more positive results, developing in a safe and sustainable manner towards international standards and practices, maintaining its position as the leading bank of the banking sector in terms of size, performance and growth, to ensure the benefits of shareholders and employees.

SECTION I

BUSINESS PERFORMANCE IN 2014

I. Business performance in 2014 vs. targets

(In VND billion)

Indicator	Result in 2013	Result in 2014	± % compared with 2013	Targets set by the GMS for 2014	% achieved compared with plan
Total assets	576,368	661,132	14.7%	640,000	103.3%
Outstanding loans and investments	536,460	616,879	15.0%	600,000	102.8%
Credit exposure	460,079	542,685	18.0%	519,458	104.5%
Mobilized funds	511,670	595,094	16.3%	573,000	103.9%
Owners' equity	54,075	55,013	1.7%	54,931	100.1%
Of which: Chartered capital	37,234	37,234	0.0%	37,234	100.0%
Profit before tax	7,751	7,302	-5.8%	7,280	100.3%
Dividend ratio	10%	10%		10%	Achieved
ROAA	1.4%	1.2%		1.2%-1.5%	Achieved
ROAE	13.7%	10.5%		10%-12%	Achieved
NPLs/credit exposure	0.82%	0.90%		<3%	Achieved
Capital Adequacy Ratio (CAR)	13.2%	10.4%			Achieved

(*) Note: the financial figures of 2014 are audited figures

1. Total assets continued to grow impressively

Total assets as at 31st December 2014 reached VND 661 trillion, rising by 14.7% compared to 2013 and achieved 103.3% of the target set by the AGM for 2014. VietinBank continued to be one of the joint stock commercial banks with biggest asset size in the market.

2. Outstanding loans and investment grew sharply, coupled with asset quality control and positive structural shift

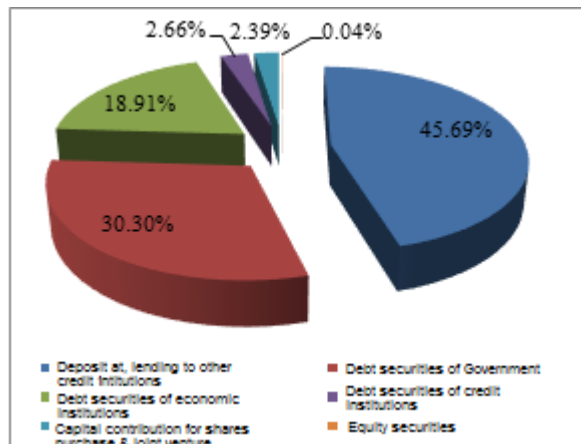
- **Credit granting** as at 31st December 2014 amounted to VND 543 trillion, increasing 18% from the beginning of the year (*higher than the average growth rate of the sector*), reaching 104.5% of the plan.

- **Outstanding loan structure shifted positively** with high growth rate could be witnessed in those priority business sectors encouraged for development by the Government such as agriculture, export, SMEs, supporting industries, high-tech; lending with low interest rates was actively deployed for national projects in key economic sectors such as: Power, Coal & Minerals, Cement, Oil & Petroleum, Rubber, Steel, Fertilizers
- **Credit quality** was tightly controlled, strictly complied with the loan classification regulations of the SBV as prescribed in Circular No. 02/2013/TT-NHNN and

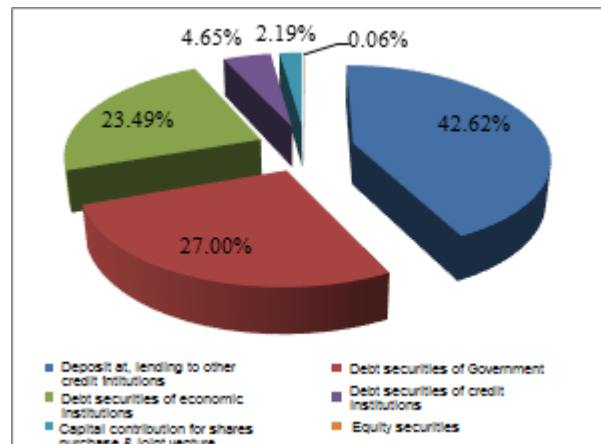
09/2014/TT-NHNN. NPLs ratio as at 31st December 2014 was 0.9%/credit exposure, lower than the average ratio of the sector.

- **Investment** as at 31st December 2014 achieved an amount of VND 177 trillion, accounting for 27% of total assets. VietinBank constantly diversified business activities on the inter-bank market, promoted sales through offering interest rate and currency derivatives; Investment portfolio was continuously adjusted towards increasing profitability, ensuring liquidity reserves for the entire group and enhancing the role and position of VietinBank in the market.

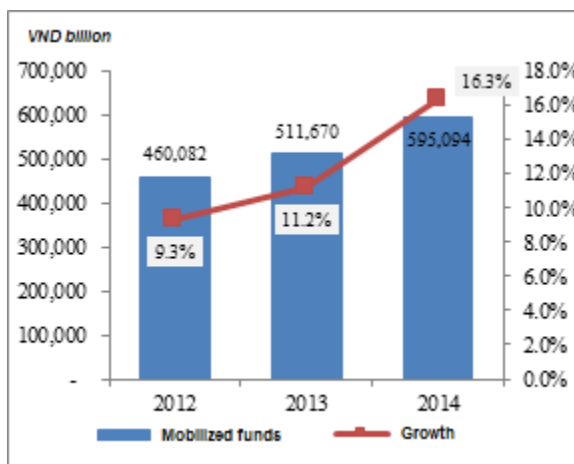
Investment portfolio structure in 2013



Investment portfolio structure in 2014



3. VietinBank continued to maintained funding growth in correspondence with the demand for funds, funding structure was diversified



Mobilized funds as at 31st December amounted to VND 595 trillion, an increase of 16.3% compared to 2013 and reached 104% of the GMS plan. Funds mobilized from corporate customers, individual customers and domestic and foreign institutions rose by 11.3%, 13.5% and 22.7%, respectively, compared to the end of 2013, which confirmed the strong brand and reputation of VietinBank in the context of increasing competition pressure.

4. Growth in size and proportion of service income was accelerated, operational efficiency was improved

- **VietinBank continued to lead the market with ATM and POS products and services:** the Bank has received many prestigious awards both domestically and internationally, such as: Leading bank in Visa/Master card payment amount, the typical Bank with creative products

and services, Vietnamese Outstanding Product - Perfect Service in 2014, Vietnamese Famous brand - Competitive brand 2014.

- **FX trading results was positive** with strong growth in trading volume. VietinBank maintained its role as one of the market-makers in the Vietnamese foreign exchange market.
- **M&A advisory and bond issuance consultancy achieved positive results:** In 2014, the number of units being advised by the Bank increased 20-fold and the number of sales orders increased 9 times. Such advisory services as valuation, corporate restructuring, equitization, M&A and post-merger plan, ...grew strongly.
- **Traditional trade finance products were promoted in association with the expanding deployment of new products.** In 2014, VietinBank's trade finance activities continued to be highly evaluated by a vast number of reputable international organizations, particularly, the Bank was awarded by the leading magazine in banking and finance - The Asset Triple A with the award of "the Best trade finance service provider in Vietnam".
- **There was a new development in payment activities:** The establishment of Payment Center marked a significant step in the process of centralizing the control over payment activities, improving the specialization level in payment operation, contributing to the improvement of service quality and capital efficiency, the expansion of market share and the increase of VietinBank position in the field of payment.
- **The leading market share in remittance was maintained:** New remittance channels in cooperation with such countries having large remittance volume as the US, Canada, Korea, Taiwan, Malaysia, Laos ... were promoted in association with the enhancement of cross-selling. In 2014, the remittance volume of VietinBank accounted for 15% market share of money transfer via banks .
- **The professionalism and safety in cash and vault activities were enhanced:** Cash reconciliation management was flexible and cash-in-hand was reduced with the aim of improving business performance. The establishment of the Cash Management Center and the application of advanced software for the entire system were the first step in centralizing and increasing the professionalism in cash & vault management and cash reconciliation, saving resources in cash and vault management, raising compliance awareness while simplifying procedures, closely monitoring cash transactions and collateral profiles management on the entire system as well as managing assets of the bank in a strict and safety manner.

5. Many positive changes were witnessed in the business activities of subsidiaries and foreign branches:

In 2014, all subsidiaries were profitable with the total pre-tax profit of VND 292 billion. Foreign branches gained encouraging operating results:

- The business performance of Lao Branch continued to be at good pace. Profit before tax of Laos Branch amounted to USD 2.5 million, an increase of 127% compared with 2013; Specifically, in 2014, VietinBank opened and put into effective operation Pakse Transaction Office. Besides, VietinBank is developing orientations for business strategy, focusing on

developing human resources, infrastructure development, network, Banknet payment ..., to serve the upgrade of the branch into the a subsidiary bank, with the goal of becoming the focal point in setting up interbank system connecting Vietnamese banks in Laos, thereby providing the best products and services to customers.

- VietinBank - German branch has been audited by the German Central Bank for the year of 2014 and allowed to expand its business and operation limits. On that basis, the Branch has been comprehensively boosting all of its business activities, providing products and services to German – Vietnamese enterprises, continuing to bridge the trade relations between Vietnam and German in particular and with Europe in general. The Branch's human resources structure and infrastructure have fully met the German operation standards applicable to credit institutions; The business strategy of the Branch has been set in a way to suit the actual market conditions. All of those activities have been making an important contribution to the implementation of the operation network expansion strategy of VietinBank in overseas markets as well as the enhancement of its international integration.

6. The leading position in Vietnamese banking system with regards to financial capability and profit performance continued to be maintained:

- As of 31st December 2014, VietinBank's owners' equity reached VND 55,013 billion, chartered capital reached VND 37,234 billion. The Bank continued to maintain its position as a commercial bank with highest equity and chartered capital in Vietnamese banking sector.
- Profit before tax in 2014 amounted to VND 7,302 billion, reaching 100.3% of the GMS plan. In which, service income experienced more positive changes, rising by 15% compared to that in 2013 and its proportion in total operating income was 11.4%. ROE and ROA respectively reached 10.5% and 1.2%, achieving the GMS plan.

II. Transformation and improvement in the organization and management of business operations

VietinBank has actively deployed and completed the Scheme on restructuring for the period of 2013 – 2015 through innovating business management activities; Completed the standardization of the organization, upgraded network, enhanced the modernization of the Bank; Improved the governance and risk management capacity; Enhanced the supervision of bank-wide credit quality and complied with regulations of the SBV on loan classification and provisioning.

1. Flexibility and innovation business operation management:

- *VietinBank has been proactive in closely following market movements, flexible in assets-liabilities management through fund management instruments*, with the expectation of balancing and optimizing the efficiency of the use of funds, improving the competition capability of VietinBank, while ensuring the compliance with regulatory prudent limits in business activities.

- *Improving quality, diversifying products and services, developing customer policies and managing the sales on a vertical basis, placing customers at the heart of the business.* The Bank enhanced business growth in SMEs, FDI and Retail Banking segments, maintained the leading position in the Corporate Banking segment, in association with rigorous risk management and asset quality in order to enhance the competition capability, dominate market share and achieve sustainable growth.
 - *Enhancing marketing and promotion activities, raising the position of VietinBank* through the successful organization of many events such as: Conferences between the Bank and Enterprises in some major economic zones; Conference for honoring customers loyalty and strategic partners; Conference on Credit and Investment solutions for enterprises... in order to promote brands as well as products and services of VietinBank to potential customers.
- 2. Strong determination in credit quality management and NPLs settlement:**
- Considering the reduction of lending interest rates, maintaining the credit limits in line with the financial capability and practical demands for customers who have feasible business plans.
 - Strictly complying with the regulation on loan classification and provisioning: The Bank has issued guidance and instructions on loan clarification and provisioning, revised loans in accordance with *Circular No. 02/2013/NHNN and Circular No.09/2014/NHNN.*
 - Enhancing the supervision of credit quality: The Bank has taken an active role in restructuring the loan portfolio, revaluated loans bearing potential risks for proper action; VietinBank has proactively adopted flexible solutions in debt collection and debt sales, collateral handling, NPLs settlement, drastically collected written-off debts in order to regenerate funds and facilitated the process of approaching financing sources for enterprises.
- 3. Continuously enhancing the risk management and supervision activities in accordance with international standards:**
- ***Risk management activities:*** In 2014, the 3 lines of defense model continued to be improved. *The Risk Management Division took the supervision role in risk management in an independent manner while continuously supplemented and refined the risk management policies and mechanisms,* to keep updated with changes in the regulatory policy of law, the organizational model transformation, aiming at international practices and in correspondence with VietinBank's risk appetite. The written mechanisms and policies system with regards to risk detection, measurement and warnings were promptly issued for safe and efficient operation of business units.
 - **Innovating and improving the operational efficiency of the internal control mechanism through** perfecting mechanisms and improving the application of operational control programs to ensuring early detection of noncompliance incidents, major risks; issues regarding mechanisms, processes and systems have been studied for amendment and supporting branches in overcoming obstacles.

4. Improving the infrastructure, accelerating the modernization of technology, creating a strong foundation for enhancing business activities:

- **Actively deploying the capital construction activities:** VietinBank continued to consider the investment and upgrading of the infrastructure of branches and the Training School. Many branches and transaction offices have been handed over, taken into operation and effectively used.
- **Enhancing the deployment, ensuring the progress and quality of Strategic IT projects as well as key banking modernization projects;** Developing IT applications in order to support and enhance business activities and banking risk management activities; Applying IT in banking governance, providing internal control instruments for operational departments in order to boost productivity, saving costs and improving working efficiency.

5. Network has been constantly developed, organizational and operational models have been improved and transformed:

- The Bank has conducted the evaluation and grading the operational efficiency of units in the network on a regular basis, developed the scheme on upgrading branches, transaction offices and saving points; Opened Van Don Branch, 25 domestic transaction offices and the Pakse transaction office in Laos in order to enhance the network strength, improve the ability to meet the financial needs of customers in many regions.
- The organization model has been consolidated and transformed on the principle of placing customers at the heart of business, organizational structure was arranged on a vertical basis with the clear and transparent decentralization of authorities, roles and responsibilities of each unit and individual in order to enhance the coordination amongst departments. In 2014, VietinBank has established Payment Centre and Cash Management Centre, transformed the Corporate and Retail Banking Division models, conducted one-stop transactions and improved functions and duties of a number of departments and committees at the Headquarters and IT center, creating a basis for improving services quality, productivity and competitive capability of VietinBank.

6. Human Resources, Training and Payroll activities have been improved:

- VietinBank has studied the best international practices in human resources management with the aim of perfecting human resource management strategies and policies, renovating the awareness on human resources risk management through developing regulations on human resources risk management framework.
- Conducting review and consolidation of human resources at management level; recruiting and performing head counting, rearranging human resources towards streaming and closely following the business strategies of the Bank.
- Conducting training programs in various forms, in association with training demand of officers, units and in line with business strategies of the Bank; Additionally, on-site trips abroad were organized for officers, on-the-job-trainings were also arranged at BTMU.

- Given the difficult economic environment, the salary of employees was kept at a stable level, attracting highly qualified employees. The payment for employees continued to be improved, which was matched with the implementation of KPIs in order to encourage individuals and business units to make outstanding performance.
- 7. Drastically transforming the communication and brand identity promotion** in order to ensure proper public perception through actively participating in communicating the directions and policies of the Government, the SBV as well as promotion of achievements of the banking sector in general and VietinBank in particular; Successfully deploying promotion programs, issuing printing materials and commercials to promote VietinBank's brands, funding seminars, national fair events with practical purposes.
- 8. Actively participating in social security activities of the community, contributing to the socio-economic development, contributing to the improvement of VietinBank position and brand.**

SECTION II

BUSINESS ORIENTATION AND MISSIONS IN 2015

In 2015, the global economy is expected to recover significantly. In Vietnam, the National Assembly has approved the Socio-economic development plan in 2015 with the direction of continuing maintaining stable macro-economic situation, resolving difficulties for production and trading; comprehensively implementing strategic breakthroughs, restructuring the economy. Additionally, the process of international integration of Vietnam through the discussions and signing bilateral and multilateral agreements in terms of commerce shall open a lot of commercial opportunities, attracting FDI investment, generating great opportunities for business and Vietnamese banking sector.

I. MAJOR FINANCIAL TARGETS:

Basic financial targets in 2015 of VietinBank are as follows:

Indicator	Unit	2015 targets		
		Plan	+/- against 2014	+/-% against 2014
Total assets	Billion VND	746,000	84,868	13%
Credit exposure	Billion VND	613,000	70,315	13%
Mobilized funds	Billion VND	676,000	80,907	14%
Owners' equity	Billion VND	58,883	3,871	7%
Chartered capital	Billion VND	49,209	11,975	32%
Profit before tax	Billion VND	7,300		
ROAA	%	1.0% - 1.2%		
ROAE	%	10.0% - 11.0%		
NPLs/Credit exposure	%	< 3.0%		
Dividend Ratio	%	7% - 9%		
Capital Adequacy Ratio	%	> 9.0%		

II. SPECIFIC DUTIES:

1. Business activities:

- **Boosting credit growth in association with asset quality**, continuing to enhance business activities, comprehensively transforming the sales activities on the principle of customer-centricity. Continuing to complete the mechanisms, policies and portfolio of products and services for each customer segment and region, in order to maintain the leading market share in large corporate, creating breakthroughs in growing market share and profitability in SME, FDI and Retail banking segments.

- **Diversifying and continuing to restructure the investment portfolio** towards reducing risks, improving income from investments and gradually increasing the proportion of financial investment activities in total assets, expanding the investment activities and mobilizing funds from international market, developing new products, applying advanced and professional portfolio management methods.
- **Taking an active and flexible role in assets-liabilities management** in correspondence with market movements and funding needs of the Bank in order to balance and optimize the effectiveness of the use of funds, ensuring sound bank-wide liquidity and the compliance with prudent limits in accordance with regulations.
- **Maintaining the leading position in terms of profit and profit efficiency in the banking system of Vietnam**, constantly diversifying the operating income structure, increasing the proportion of non-interest income and fee income. With the expected profit level, ROA of VietinBank is targeted at around 1.0% - 1.2% in 2015 while ROE is targeted at 10% - 11%.
- **Increasing chartered capital** to improve the financial capability and meet the capital requirement under international standards and Basel II, and strengthen the competitive position of VietinBank on the regional and international markets.
- **Researching the M&A plan in accordance with the Bank's business strategy** to strengthen its financial capacity, increase the business operation scale in good balance with the objective of ensuring safe and healthy activities of the entire group, thereby raising the prestige and influence of VietinBank on the market.

2. Risk management activities:

Along with promoting business activities in each division, VietinBank continues to strengthen the management and control of business activities, gradually shifting towards international standards, performing risk management in compliance with Basel II standards, promoting credit quality control through the 03 lines of defense (pre, during and post-lending) to improve the management capacity and safety of the banking.

3. Supporting activities:

- **Widely applying IT into business operation and management:** Continuing to implement strategic IT projects for the period of 2011-2015, focusing on the Core-banking replacement and data warehouse projects. In addition, the Bank continues to operate the system in a stable, safe, and secured manner as well as maintain supporting activities for users throughout the system.
- **Accelerating investment, infrastructure development and capital construction:** Ensuring the construction progress of key projects such as the Headquarters - VietinBank Tower in Ciputra, Representative Office in the Central Region in Da Nang, Branches' Headquarters and new Transaction Offices.
- **Consolidating and strengthening network development activities:** Completing the set of evaluation and grading for the operation of units; giving specific solutions, improving network performance. Upgrading Laos Branch into the Subsidiary and continuing the

expansion of the Bank to potential markets; Consolidating the German Branch and improving its business effectiveness.

- **Strengthening the organizational structure:** Continuing to improve the business and operational model transformation as well as effectively running the transformed divisions, restructuring the organizational model towards centralized and vertical management.
 - **Standardizing personnel activities:** Establishing the Human Resource Division towards functional specialization; Developing personnel plan, applying new headcount method, comprehensively restructuring human resources in accordance with the new organizational and operating model; Continuing to apply KPIs for performance evaluation.
 - **Fine-tuning the salary and emulation mechanism:** Conducting research on headcount method in correspondence with the model transformation roadmap, the business strategy and the human resource strategy of VietinBank. Concurrently, continuing to implement the synchronization of information technology for salary payment, timekeeping, personnel management... contributing to the modernization of VietinBank.
 - Implementing the guideline on savings, anti-wasting, reducing operating costs according to Directive No. 25/CT-TTg dated 05/12/2013 of the Prime Minister and Dispatch No. 178-CV/TW dated 31/12/2013 of the Central Party Secretariat.
- 4. Regarding the dividend payout ratio:** Although the operation of the entire banking sector is expected to face a lot of difficulties, with the efforts of the whole group, VietinBank expects to achieve an encouraging profit level, ensuring interest for the State, shareholders and investors. The dividend payout ratio for the year is expected to range from 7% - 9%.
- 5. Social responsibility activities:** Being active in community supporting activities, participating in the implementation of poverty reduction objectives of the Party, the State, improving the lives for people, closely monitoring to ensure VietinBank's donation is effectively used for the right purpose and objects as well as in compliance with the procedures and rules for the management of capital construction and investment and the current financial management.

-----***-----

In 2014, VietinBank continued to experience positive development, thereby significantly contributing to the improvement of the banking sector as well as the socio-economic development, overcoming challenges, successfully completing all tasks assigned by the Party, the Government and the SBV, with safe and effective business activities. Additionally, VietinBank was able to continue consolidating its tradition as an enterprise making active contribution to the social security activities. Working conditions as well as the physical and spiritual life of 20 thousand employees have been improved. The interests of shareholders and employees are guaranteed.

Despite a lot of difficulties and challenges ahead in 2015, the development opportunities and market potentials are promising; VietinBank determines to promote its achieved results,

overcome the obstacles and limitations to successfully complete the plan set for 2015, consolidate VietinBank's role as a pillar of Vietnamese banking sector, actively contribute to the development of the banking industry and the economy.

CHAIRMAN OF THE BOARD OF DIRECTORS

Nguyen Van Thang