

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

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**SOCIALIST REPUBLIC OF VIETNAM**

*Independence – Freedom – Happiness*

*Hanoi, April 23, 2019*

## **REPORT OF THE BOARD OF DIRECTORS ON SUMMARIZING 2014- 2019 TERM AND THE ORIENTATION FOR 2019 – 2024 TERM**

### **SECTION I: PERFORMANCE REPORT OF THE BOARD OF DIRECTORS FOR 2014 – 2019 TERM**

#### **I. Overview of 2014 – 2019 period**

During 2014 - 2019, the world economy entered a recovery phase, however, the recovery speed was slower than expected in the context of low global trade growth, fluctuating commodity prices and protectionism on the rise. The world financial market is full of with many potential risks and the monetary policies of Central banks in different counties are making movements in opposite directions.

In Vietnam, the Government has taken multiple and drastic measures to bolster economic restructuring in association with transforming economic growth mode; to prioritize inflation control and stabilize the macroeconomy. In addition, thanks to better institutionalization, improved business environment, enhanced competitiveness of the economy, science and technology advancement and promotion of innovations and creativity, Vietnamese domestic economic growth from 2014 to 2019 was considerably higher than that of other regional countries, annual growth rate at about 6.6%. In addition, the macroeconomy is stable, inflation is under control and the major indicators of the economy is assured.

The money market and financial market are stable thanks to the synchronous and flexible measures of the State Bank of Vietnam (SBV), which managed to stabilize the economy, control inflation, stabilize the monetary market, and support economic growth. Annual credit growth in the period of 2014-2017 averaged about 16%; credit structure focused on manufacturing and business as well as prioritized industries. The foreign exchange market and exchange rates were stable, interest rate is on a decreasing trend to provide support for production and business activities of companies. The progress of restructuring credit institutions system has been made drastically, the activities of credit institutions are now focusing on efficiency, improved credit quality, better NPL ratios as NPL ratio of the entire banking sector is controlled below 3%. Governance capacity and risk management of banks were improved.

#### **II. Summary of VietinBank’s performance in 2014 – 2019**

## 1. Overview of 2014-2019 performance

Since 2014 up to now, following closely the guidelines, policies and orientations of the Communist Party, the State, the Government and the SBV, VietinBank has taken the initiative to seize the opportunities of domestic and international economic growth, overcome limitations and difficulties in operations, continually innovate to catch up, take advantage of opportunities, market potentials and develop business activities in an efficient, safe and sustainable manner.

In the period of 2014 - 2017, VietinBank prioritized resources for strong growth in scale of operations, continued to consolidate the organizational structure, developed modern technology infrastructure, created solid foundations and platforms to develop business activities towards improving efficiency in the period of 2018-2019. In this period, VietinBank had seen positive growth in performance, income structure, customer segmentation constantly in accordance with the orientation of sustainable growth and efficiency. Product quality and service quality are being improved while the organizational and governance model was strengthened, operating costs are controlled effectively.

Total assets by the end of 2018 amounted to more than VND 1.16 quadrillion, twice as much as in 2013, average annual asset growth rate of 15%. The scale of deposit growth is in line with loan demand. The structure of fund mobilized is diversified, liquidity safety ratios well complied with regulations and continue to improve. Funds mobilized primarily and stably from Market 1, which continues to affirm that customers' trust in VietinBank's reputation has been improved. Fund mobilized from economic entities and residents reached nearly VND 826 trillion, 2.3 times higher than in 2013, average annual growth rate of 18%. Credit exposure reached VND 888 trillion, 2.2 times higher than 2013, average annual growth of 17%.

In addition to traditional credit and deposit operations, VietinBank focuses on developing diversified products and services. Total net service income grew strongly, reached VND 3.4 trillion in 2018<sup>1</sup>, 2.2 times higher than in 2013; non-interest income amounted to nearly VND 6.9 trillion, accounting for 24% of total operating income, up nearly 10 percentage points compared to 2013.

VietinBank regularly makes it to the list of banks with the largest profit in the period of 2014-2017, the cumulative profit in 5 years reached over VND 39 trillion. In 2018 alone, the total system-wide value added of VietinBank reached VND 28 trillion, an increase of 14.4% compared to 2017 performance, creating a basis for VietinBank to quickly address the requirements set forth in the Restructuring Plan. In association with bad debt recovery from now until 2020. The key missions in 2018 that VietinBank should prioritize resources for is to thoroughly handle problems in operation, move towards compliance with new safety standards, and improve the quality of assets. The augmentation of operational, assessment and classification standards of new loans will ensure the sustainable and effective long-term growth of VietinBank. It is also a necessary step towards the goal of safe and sustainable growth in years to come. Although VietinBank must prioritize resources for restructuring activities, it still

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<sup>1</sup> Which included income from guarantee service.

strives to fulfill the profit targets assigned by the General Meeting of Shareholders (GMS). Separate profit before tax (PBT) of 2018 amounted to VND 6,365 billion, equivalent to 102.7% of the target given by the GMS; consolidated PBT amounted to VND 6,730 billion, equivalent to 100.4% of the target given by the GMS.

## **2. Key achievements of the Board of Directors in 2014 – 2019 term**

Since 2014, VietinBank has always been innovative, and the bank has restructured its operations comprehensively towards quality and efficiency according to international practices, drastically implemented of customer-centric strategic management. VietinBank also made groundbreaking innovations in technological platforms, improved product and service quality; improved risk management capacity in line with its growing scale and increasing complexity in business operation. The bank is perfecting the organizational structure, innovating in human resource management, proactively fulfill the demand of business operations. A few of VietinBank's key achievements lately:

### **2.1 Successfully developed and implemented the restructuring plan for 2011 – 2015 while completing and implementing the Restructuring and Bad Debt Recovery Plan in VietinBank for 2016 - 2020, following the restructuring and development strategy of the banking sector**

- *Successfully implemented restructuring plan for 2011 – 2015:* VietinBank has poured its resources into the implementation of the VietinBank Restructuring Plan in the period of 2011 - 2015 through the implementation of comprehensive solutions including: (i) Building growth strategy until 2015 with vision to 2020 that is consistent with the growth strategy of the sector, market demand, capital capacity and management capacity; (ii) Consolidating the organization of the governance system vertically, innovating, enhancing the efficiency and capability of corporate governance; perfecting internal control, audit, financial risk control toward modern practices; (iii) Completing internal management regulations, mechanisms and policies in terms of renovating of operational management organization; (iv) Focusing on bolstering the recovery and collection of bad debts, applying strong credit quality control measures and early identification of risks; (v) Researching on technological innovation, innovations in quality and service, increasing added value, ensuring sustainable development; (vi) Revising non-core investment activities, undertaking divestments in accordance with the roadmap, reorganizing and reestablishing the organization and business plans of subsidiaries. As those solutions are put into practice, VietinBank's business activities have been comprehensively improved, the scale of business operations has grown strongly. As of December 31, 2015, total assets reached VND 779,483 billion, an average annual growth of 16%. PBT of VietinBank stayed at the top in Vietnam's banking sector, which amounted to VND 7,345 billion, while still asset quality was well-managed and NPL ratio was the lowest in the banking sector. In 5 years of 2011-2015, VietinBank had paid corporate income tax of nearly VND 13 trillion, a significant contribution to the State budget. Business growth is associated with improved risk management and debt recovery..

- ***Finalized and decisively implemented the restructuring and bad debt recovery plan for 2016 - 2020:*** In implementing the direction of the Government on restructuring the system of credit institutions and the development strategy of Vietnamese banking industry until 2025 and toward 2030, the orientation of the SBV in Decision No. 2337/QĐ -NHNN on November 27, 2018 on approving a number of contents on objectives, orientations, solutions and roadmap for the implementation of the Restructuring Plan in association with NPL recovery for the period of 2016-2020 of Vietnam Joint-Stock Commercial Bank for Industry and Trade, VietinBank is implementing the key contents of the plan to improve financial capacity, asset quality, to restructure and develop the network system and business operations efficiently, safely, sustainably and transparently, on the ground of human resources and technology as fuel for growing toward its target of becoming a ***“Large-scale commercial bank with the best efficiency in Vietnamese Banking Sector”***. VietinBank is urgently implementing specific solutions and the annual action plans to ensure appropriateness with business conditions, markets and internal capabilities of the bank, striving to fulfill the targets set out for the entire period.

**2.2 Achieved positive business growth, timely and sufficiently supplied funds to the economy, promoting the role of a major and essential bank of the economy; drastic transformation of business model from horizontal expansion of scale to service quality improvement and efficiency based on the platform of modern bank with diversified services**

- ***Business growth in combination with positive transformation of structure and timely deliverance of funds for the economy:*** Assuming the role of the major State-owned commercial bank of the economy, VietinBank has actively implemented synchronous solutions to improve the capital access for businesses, and fulfilled the demand for capital and services of companies in provinces and cities across the country in a timely and sufficient manner. VietinBank focuses on lending to production sectors and industries prioritized and encouraged by the Government. Credit exposure from 2014 to 2017 grew significantly (17% -24%). In 2018, VietinBank's capital increasing plan had not been approved and thus, the room left for credit growth of the Bank is below expectations. However, VietinBank has actively utilize feasible sources of funds and spare no effort to increase credit growth. Even when credit growth is only 6.2%, VietinBank still manages to meet the essential demand for loans from companies and citizens. The entire bank has made the most of its capacity in order to expand operational scope: average outstanding loan of the year increased by 17.6%. Credit structure continued to transform positively with a strong focus on encouraged and prioritized sectors (estimated increase of 18% from 2017) and accounted for 60% of the credit portfolio.

The structure of customer segments continues to shift positively in the direction of boosting the proportion of high-margin segment, which is SMR and retail customers, while continuing to maintain the leading position in Large Corporate and FDI segments. The average outstanding loan balances of retail customers and SME customers in 2018 increased

by 29.5% and 31%, respectively, compared to the average of 2017. Credit quality is always strictly controlled, NPL ratio is always controlled below 3%, complying with the law and prudent limits prescribed by the SBV.

- ***Adopt technological advancements and diversify products and services; transform income structure towards the goal of developing a multi-functional bank:*** The cutting-edge CoreBanking platform and new technological solutions have actively supported business operations and governance, increased automation of procedures, reduced operational risks and fulfilled specialized product development requirements for various target customers, meeting their increasingly diversified demand. Among those are especially high-tech payment products, cashless payment products. The quality of services has been greatly improved, sales skills have been enhanced, linked chains were developed and cross-sale is bolstered. As a result, fee income and non-interest income increased and improved income structure.

### **2.3 Innovated and enhanced efficiency of governance, management and consolidate the organization structure and network management; Build high-quality workforce**

In 2014-2019, VietinBank's HR operation has been implemented decisively according to orientation and effectively supported business activities. VietinBank always evaluate the efficiency of the system in order to synchronously and decisively implement measures to consolidate and rearrange staff on bank-wide scale.

- ***Vertically consolidate the organization structure:*** In 2014, VietinBank completed Organization Restructuring Project (ORP). Accordingly, the system of divisions/departments/ committees is arranged vertically from Head Office to units in the whole system, in order to improve governance, risk management and specialization capabilities to emulate the modern operational organization of leading banks in the world.

In the period of 2014 - 2019, VietinBank has gradually transformed its branch operation model and adjusted the model, established/consolidated 11 operational divisions at the Head Office to ensure compliance with the governance and management practice and to effectively support VietinBank's business strategy implementation.

Up to now, VietinBank's domestic transaction network includes: 01 Head Office, 02 Representative offices, 09 Non-business units, 155 Branches, 958 Transaction offices. Overseas network includes: 02 branches in Germany, 01 subsidiary bank with 100% capital in Laos and 01 representative office in Myanmar.

- ***Strengthen mechanisms and policies in internal governance; Innovate training, enhance HR quality and employee engagement:***

On the basis of compliance with the provisions of the law in combination with the application of international practices in corporate governance, VietinBank has issued a system of internal regulations/policies to establish a consolidated and consistent governance mechanism to provide professional, transparent and effective control.:

In 2018, VietinBank revised the Charter of organization and operation, the Regulation



on Internal Management, the Regulation on Organization and Operation of the Board of Directors, updated them according to the provisions of the law relating to staffing; set up delegation of authority in management and appointment; clearly defined the responsibilities of the Board of Directors and the General Director in management, governance and staffing. The recruitment, planning, appointment, training, rotation of staff are revised in the direction of efficiency and pragmatism; potential employees are identified proactively. The bank focuses resources on developing and retaining talents; proactively establishes the force of successive staff for key positions; identifies and arrange capable personnel to meet job requirements.

VietinBank always focuses on improving the performance assessment through KPI System and Balanced Scorecards. This is the foundation for VietinBank to carry out staff training, development, planning, arrangement and payroll and bonus policy that commensurate with the contributions of employees. The Payroll system is built according to international practices with 03 main objectives: ensuring stable monthly, quarterly and annual salary for employees; creating motivation for employees to improve productivity; flexibility in salary payment and annual salary increase.

From 2017 up to now, VietinBank has researched the Labor Productivity Improvement project in order to utilize labor effectively in the direction of reducing/maintaining the headcounts in support operations to prioritize workforce for front units and to increase the proportion of employees in core operations; Standardize labor quality according to VietinBank's capacity framework to provide trainings and improve staff capacity to fulfill the job requirements.

In addition, VietinBank's training and HR quality enhancement are always focused on the diversification and pragmatism, closely following the actual training demands with rich, flexible and cost-effective training forms.

Through workshops, employee satisfaction and engagement surveys, VietinBank has developed a specific action plan to maintain and develop human resources, minimize employment risks, and to shift from “HR management” to “HR partnership”.

## **2.4 Leading the implementation of the Government and the SBV’s policies, orientations and guiding principles**

### ***- Issuing loan packages with favorable interest rates for prioritized sectors***

VietinBank has launched many credit programs and mass-scale product packages with reasonable lending interest rates to support industry segments/customers in need to access credit sources, especially those with healthy financial operation, effective business plans in industries prioritized by the Government. VietinBank also offers loan packages for start-ups, hospitals, schools, educational establishments, etc. In addition, VietinBank implemented the Social Housing Loan Program, Fisheries Loan Program under Decree 67, Loss-mitigating Agricultural Loan Program according to Decree 68, etc.

### ***- Proactively cooperate with the SBV in restructuring commercial banks***

In implementing Decision No. 665/QĐ-NHNN dated 06 May 2015, Decision No.

1306/QD-NHNN dated 7 July 2015 of the Governor of the SBV and Decision 48/2013/QD-TTg dated 1 August 2013 by the Prime Minister and the instructions of the SBV, VietinBank shouldered the responsibility for reviewing and introducing nearly 100 officers who fully meet the conditions to participate in the Management and of GPBank and OceanBank.

***- Enhance the connecting between banks and companies, participate in investment promotion conferences, address enterprises' difficulties***

In order to help businesses expand their operations, diversify distribution channels, and develop new markets, VietinBank has organized Business Matching Conferences, help businesses to seek and introduce them to customers in many areas in accordance with their needs through VietinBank's network of branches and partners. In addition, VietinBank also pioneered in Southeast Asia to introduce its customers to connect businesses on a digital platform. Additionally, VietinBank has always actively participated in investment promotion campaigns, dialogues and conferences in all provinces and cities across the country. Through these events, VietinBank has committed to granting credit, introducing service product packages to solve difficulties of customers and address their demands.

**2.5 Comprehensively innovated, enhanced the quality of risk management and compliance with internal control and internal audit regulations**

In 2018, VietinBank decisively and effectively implemented Circular 13/2018/TT-NHNN on the internal control system of credit institutions and Circular 41/2016/TT-NHNN on Capital Adequacy Ratio (CAR) requirements for banks and branches of foreign banks and perfected the risk management model to approach international practices and Basel II implementation roadmap in accordance with the requirements of the SBV.

VietinBank always focuses on improving risk management to ensure the compliance and safety of the system, specifically as follows: Active credit portfolio management, Risk Appetite Statement release; revision of policy documents according to Basel II principles and the requirements of the SBV; establishment of Operational Risk identification and assessment procedure, taking initiatives in the prevention of fraud by technological solutions, strengthening information security management; renovating information technology infrastructure to support risk management through implementing early warning system (EWS), managing Risk Profile at branches, customer relationship management (VCRM), risk-weighted assets (RWA) management, ...; strengthening debt quality management, restricting the emergence of new bad debts, decisively recovering of bad debts, debts sold to VAMC and effective application of Resolution 42 in the bad debt recovery.

VietinBank's monitoring and control activities have changed drastically, specifically as follow: the monitoring and supervision have been implemented in a risk-based manner, in combination with the adoption of cutting-edge tools and software; regularly updates and improvements are made to the methodology and implementation methods to ensure timely and comprehensive identification of risks as well as sharp supervision. Through control and

monitoring, VietinBank acknowledged its difficulties and shortcomings in implementation and made recommendations to relevant units to perfect and adjust the organizational model to ensure that monitoring and control are able to prevent and mitigate risks and losses.

VietinBank has actively researched, innovated and been creative in the process of implementing Basel II standards in risk management. The adoption of Basel II standards is not only to meet the requirements of the SBV but also is a prerequisite for the integration process and the expansion of VietinBank's influence in global financial banking. Up to now, VietinBank is ready to meet Basel II standards in accordance with the SBV's guidelines and to ensure safe, efficient operation to integrate with global financial sector. At the moment, VietinBank is ready to satisfy the standard requirements of Basel II following the directions of the SBV, ensure safe, effective and integrated operations with the global finance.

In the period of 2014-2019, the Internal Audit Department (IAD) had improved audit methods, combining vertical auditing in operations with auditing for implementation units in order to effectively fulfill the functions of the 3<sup>rd</sup> line of defense, to review and assess in an independent and objective view for core business operations of VietinBank straight from Branches, subsidiaries to managing units at HO. Organization and HR structure of IAD are being continuously improved and reinforced: the IAD is concentrated at HO and set up into specialized audit teams by operations; new staff were recruited and trained to satisfy job requirements, providing qualified staffs for business units and Ocean Bank, GPBank. System of policy documents, procedure and guidance relating to IAD operations has been reviewed, adjusted and supplemented in order to comply with the regulations of the SBV for internal audit and actual situation of the business operations, risk management of VietinBank.

## **2.6 Set up modern technology foundations for sustainable development, improving produce and service quality; satisfy the demands for management of the bank and demands of customers**

Identified technology as the competitive edge in banking sector, the BOD has soon given the directions on the establishment and implementation of IT strategy in accordance with the objectives and characteristics of VietinBank in each time. In 2014 – 2019 period, VietinBank has completed the establishment and successfully installed the new Core Banking. The modern CoreBanking of VietinBank has satisfied the scale and rate of transaction processing, multi-channels integration, 24/7 transactions for services and products. With the connections to multiple suppliers, the new CoreBanking opened to VietinBank many new doors of business opportunities, created multiple automatic functions, thus saving time and help quickening transactions, providing convenience and satisfying diversified demands of customers. VietinBank was awarded with the prestigious “Best CoreBanking program of Asia” by The Asian Banker. On the other hand, many programs and system support the management tasks, improving work efficiency are being utilized such as the Corporate Database; SOA middle-layer software system; LOS originating system and general concentrated OGL ledger...



## **2.7 Effectively implementing the social welfare activities and contributing to the community**

Beside business operations, VietinBank always effectively implements social welfare activities and give back to the community, sharing the responsibilities with the Communist Party, Government and prefectures that having difficulties. VietinBank has provided financial support to build poverty housing, support in healthcare, education and disaster recovery while giving back to the community at nearly every province and city of the country. Towards staffs and employees, VietinBank always paid attention to take care of material and spiritual life through completing and implementing the overall benefit package to create the best working environment for employees to develop their capabilities and strengths.

## **2.8 Raising the quality of communication functions, position and branding of VietinBank while promoting relationship with shareholders and investors**

Communication and brand management activities of VietinBank are being concentrated managed at HO and implemented synchronously across channels to ensure all information, images and communication products are complying with branding standard of VietinBank. VietinBank has established and maintained positive relationship with news outlet, media entities as well customer and community. Additionally, VietinBank actively communicate with employees in order to maintain political and social awareness along with work ethics; contributed to the promotion of role model of the system. According to the global announcement of Brand Finance, VietinBank is one of the only Vietnamese banks to be named 7 times in the Top global 500 of most valuable brands in Banking (from 2012 - 2019). In 2019, VietinBank increased dramatically in terms of ranks (in 242<sup>nd</sup> place, get in Top global 300 of most valuable brands in Banking) and brand value reached USD 625 million, continue to maintain the position as the number 1 in banking brand in Vietnam.

VietinBank always publish information on time according to the provisions of the Law and aims to establish image of VietinBank and CTG stock as transparent and friendly to investors and the market.

### **3. Difficulties and challenges**

Aside from the achievements in business operations, modernize the technology infrastructure, transform organization structure and improve HR quality, the business operations of VietinBank in 2014 - 2019 still has following difficulties and challenges:

- The economy in this period show positive signs but there are stills risks coming from the trade and geopolitics tension between major economies in the world. Operating capabilities of many SMEs, newly established companies are limited; enterprises still rely heavily on capital from banking which presented challenges in banking sector, affecting credit quality.
- Regarding capital increase and financial capability improvement: After the equalization in 2008, VietinBank has reached strong growth with scale in capital and assets have increased by more than 6 times. VietinBank has exploited the resources in capital from equalization and foreign strategic partner to serve the development and contributing to the growth of the

banking sector in Vietnam while facilitate economic growth. In recent years, in order to promote business operations and ensure capital adequacy ratio, VietinBank has concentrated efforts in implement synchronized measures such as restructuring portfolio of risky assets, portfolio of share contribution and investment, issuing subordinated bonds to increase capital. However, these measures have been exploited fully and difficult to repeat since there are limitations for tier 2 capital in comparison with tier 1 capital, possession ratio of foreign investors and of the State. Therefore, capital increase in an urgent requirement and the most difficult issue for VietinBank in 2014-2019, directly affecting the business result of VietinBank. Credit growth is at low level because of the limitations for capital which can affect the ability to provide for the capital demand of the economy and sponsor for crucial projects of the country, creating huge impact to the economic growth and budget income of the Government.

- Service operations diverse with many positive changes in contribution ratio for fee income over total growth of revenue over the years, however, it has yet to reach the breakthrough as expected, non-interest income ratio is still low compared to other banks in the nation and region.

- One of the targets of VietinBank in recent time was to restructure mobilized fund via quick and strong growth of CASA with low cost. However, the improvement in fund restructuring is not significant enough which means cost of capital of VietinBank is not optimal. This is one of the core issue which needs to be prioritize in the next period.

### **III. General remarks in implementing actions by the BOD**

Closely follow the direction and objectives assigned by the Government, SBV to prioritize controlling of inflation, stabilize macro economy, promote restructuring of the economy and update growth model, in the period of 2014 – 2019, BOD of VietinBank has established a suitable management policy with the development strategy and business directions approved by Shareholders.

Developing the advantages of having the strongest shareholder structure in the banking sector in Vietnam, with experienced local staffs with market knowledge combining with foreign members with expertise and experience in management and governance following international standards and practices; the BOD of VietinBank has cooperated tightly in management activities, actively direct the organizational restructure and develop in a safe, effective and sustainable way; strong and flexible in the operating direction of system-wide based on the actual market changes and aiming for improvement in every aspects of operations.

In the past term, BOD and BOM of VietinBank has illustrated effort, determination, continuous innovation in thinking and action; promptly handle all difficulties in the Bank's operations; take advantage of all business opportunities; successfully completed the tasks entrusted by the Communist Party, Government, SBV and shareholders; developing VietinBank in accordance with the strategic orientation and set objectives; continue to

affirm and enhance VietinBank's position and reputation in the domestic and international markets.

## **SECTION II: OPERATION DIRECTIONS OF THE BOD FOR THE 2019-2024 TERM**

### **I. Forecasts of the domestic and international economy**

In the term of 2019-2024, global economy is expected to enter a cycle of slow growth after the recovery period from 2014. Global financial conditions tend to tighten, interest rates of major currencies are forecast to increase in the context of Central banks of large countries will gradually narrow the easing of monetary policy to stabilize inflation. Global economy faces difficulties and challenges from trade protectionism and geopolitical tensions.

In this context, the domestic economy growth is also expected to slow down. However, with the synchronous and drastic management solutions of the Government in promoting economic restructuring, improving the business environment and labor productivity, promoting the overall resources for economic development, especially in the private sector, economic growth in the period of 2019-2024 is forecasted to remain at a high level compared to other countries in the region. The SBV continued to manage monetary policy in an active and flexible manner following the direction of strictly controlling credit growth, stabilizing interest rates, contributing to supporting economic growth and controlling inflation.

Banking activities in the period of 2019-2024 follow the direction of focusing on efficiency, safety and sustainability of the whole system, applying international standards in risk management step by step, improving financial capacity, shifting income structure in the direction of increasing the proportion of non-interest income, and at the same time, promoting the application of modern science and technology, developing diverse banking products and services according to the target issued in the Vietnam banking industry development strategy to 2025 and directions to 2030.

### **II. Operation directions of the bod for the 2019-2024 term**

In the period of 2019-2024, VietinBank will focus resources on drastic implementation, in accordance with the plan and roadmap of restructuring plan associated with handling NPLs of VietinBank by 2020, the medium and long-term business strategy closely followed the development objectives of Vietnam's commercial banking sector in the industry development strategy to 2025, vision to 2030 and general development trend of banks in the region and the world; improve financial and governance capacities, asset quality; develop effective, safe, sustainable and transparent business operations, based on human resources and technology; aiming to become a "Large-scale commercial bank with the best operating efficiency in the banking sector of Vietnam".

#### **1. Some major directions of 2019-2024:**

- **Regarding development model and directions of business operations:** Develop operations in the direction of a modern, multi-functions bank, improving competitive edge and operating efficiency. Continue to maintain appropriate and sustainable growth, actively shifting business and income structure, creating momentum for breakthrough in terms of efficiency, especially after 2020.
  - **Credit growth** based on a safe, effective and sustainable foundation, satisfy all capital demand and essential, reasonable banking services of the economy in time, controlling the scale and quality of the asset portfolio with appropriate risk factors to the roadmap of increasing capital. Focusing resources to promote core growth in segments, customers and sectors that have high profitability, using diverse banking services and products, increase retail exposure of retail and SMEs in the credit portfolio structure of the bank, while maintaining suitable market share and relationship with good customers, customers that use multiple services and promoting cross-sale across customer segments, especially large corporate and FDI customers.
  - **Effective implementation of fund mobilization**, ensure balance of active, safe and effective capital; optimize capital balance structure and business efficiency while ensure liquidity safety. Focus on exploiting and increasing the proportion of low cost funds in overall mobilized capital.
  - **Synchronous implementation of measures to shift income structure** in the direction of increasing non-interest income, especially service fee income. Constant update and improvement in service quality; standardization and effective exploitation of traditional products; selective development and product supply; new services with higher application of technology, provide convenience and breakthrough functions, competitive while suitable to customers' demand and have the potential for large growth in service fees; promote payment services and products, capital trading product such as foreign exchange, derivatives and debt instrument investment products, sale skills along with consulting services, increase upsell and cross-sell, selling for supply chain, in product bundle, especially for retail and SMEs customers.
- **Improve financial capability:** Continue to follow the roadmap for capital increase, synchronized implementation of measures to increase charter capital and financial capability, ensure that the capital of the bank comply with Basel II standard by 2020 (using standard method) and satisfy the minimum capital adequacy ratio according to the provision of the Law. VietinBank strives to be one of the first 2 banks to be listed in the international exchange and get in the top 100 biggest banks of Asia.
- **Optimization of capital utilization and improve investment efficiency in subsidiaries and affiliates, long-term investments** via tight and full control of subsidiaries and affiliates; restructure subsidiaries and affiliates towards improving efficiency and quality of operations; restructure investment portfolio in the direction of divesting all foreign investments and gradually divesting capital, reducing the ownership rate of units with lower

efficiency than the target of the period; reduce the concentration of investment portfolio in risky business areas, under influences of the world economy.

- ***Update bank management system suitable with international standards, especially improving quality of risk management activities, internal audit and control system*** to effectively control operational risks, especially credit risks, liquidity risks and market risks, also timely identification and prevention of violations regarding limit, adequacy ratio in banking operations.
- ***Control, improve credit quality, promote NPLs and written-off debts collection and handling:*** prioritize using all resources, directions to apply synchronously of multiple measures to collect and handle NPLs, written-off debts to ensure reaching the objective of controlling NPLs ratio at less than 2%.
- ***Reinforce organizational structure, HR and improve transparency to comply with international standards and practices: Continue to reinforce the organizational structure from HO to Branches, aiming for efficient operations of organization/network to satisfy business strategy. Implement the proposal to Increase work productivity and improve operations, synchronously apply measures to promote satisfaction level and employee engagement.*** Training and developing employees to set up qualified personnel, ready to handle job requirements and clear career and promotion ladder;
- ***Tight control of investment and capital construction activities:*** Increase capital limit to invest fixed assets via capital increase; reduce investment into inefficient assets, transfer assets without usage demand, concentrate funds for core projects. Strengthening research and application of advanced construction technology to accelerate the progress, ensuring the utilization and efficiency of construction projects. Promote and improve the project progress and quality monitoring tasks, ensure to put projects into operations on time. Strengthening the guidance of units in managing the use and maintenance of projects in accordance with current regulations in order to improve and extend the project lifetime, thereby improving investment efficiency.
- ***Improve the efficiency of financial and operational management:*** Promulgating and implementing programs on saving practice and waste prevention for the period of 2016-2020 in a serious manner. Promote the review and streamlining of business processes system-wide in order to shorten the working time with customers and internal system, thereby saving operating costs and advancing to reduce service costs for customers.
- Strengthening internal monitoring and cost management mechanisms throughout and synchronously from HO to branches and non-business units. Promote the role of vertical expense management of HO units;
- ***Continue to update and apply modern technology in business development and improve management capability and work productivity:*** Implementing bank digitization by digitizing distribution channels; creating products with high technology content, easily distributed to customers. Big Data analysis, creating multidimensional reports for business and management – governance. Connecting with partners and Fintech companies build a



financial ecosystem through the deployment of artificial intelligence, machine learning, and Internet of things. Optimize infrastructure, save resources, deploy virtualization of computer infrastructure, put new data centers into operation.

## 2. Directions table for several financial indicators for 2019 - 2024

Every year, the BOD will provide directions on the establishment of business plan and submit to the Shareholders for review and consideration of basic business indicators, ensuring capital capability and business orientation of each year. 2. Directions for several financial indicators for 2019 – 2024\* are as following:

Indicators	Target
Total assets	~10%-12%/annum
Credit exposure	~14%-16%/ annum
Funds mobilized from economic entities and residents	~14%-16%/ annum
ROE	~10%-16%
NPLs ratio	< 2%
Capital adequacy ratio	Comply with SBV's regulations from time to time

\* In case the implementation of capital increase plan remains as being proposed to competent agencies

**ON BEHALF OF THE BOD  
CHAIRMAN**

*(Signed and sealed)*

**Le Duc Tho**

## APPENDIX: KEY OPERATIONAL INDICATORS

Unit: VND billion

Indicators	2014	2015	2016	2017	2018
<b>Operation</b>					
Total assets	661,242	779,483	948,568	1,095,061	1,164,435
Charter capital	37,234	37,234	37,234	37,234	37,234
Owner's equity	55,259	56,110	60,307	63,765	67,456
Credit exposure (1)	477,326	591,110	706,876	837,180	888,216
Customer deposit	424,181	492,960	655,060	752,935	825,816
PBT	7,303	7,345	8,454	9,206	6,730
PAT	5,728	5,717	6,765	7,459	5,416
EOT Employees (unit: person)	19,787	21,024	22,957	23,784	24,197
NPL	4,905	4,942	6,982	9,492	14,172
NPLs ratio	1.03%	0.84%	0.99%	1.13%	1.60%
<b>Annual growth</b>					
PBT	-5.8%	0.6%	15.1%	7.4%	-26.9%
Credit exposure	17.4%	23.8%	19.6%	18.4%	6.1%
Customer deposit	16.4%	16.2%	32.9%	14.9%	9.7%
Total assets	14.7%	17.9%	21.7%	15.4%	6.3%
<b>Efficiency</b>					
Non-interest income/Operating income (2)	16.4%	18.9%	17.6%	18.7%	23.9%
Operating cost/ Operating income	46.6%	47.1%	48.7%	46.2%	49.6%
ROA	1.2%	1.0%	1.0%	0.9%	0.6%
ROE	10.5%	10.3%	11.6%	12.0%	8.3%

(1): Credit exposure = Lending exposure + Corporate bonds (excluding VAMC)

(2): Including guarantee fee income