

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

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

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Hanoi, 14 April 2015

**REPORT OF THE BOARD OF DIRECTORS
ON THE TASK PERFORMANCE IN 2014**

In 2014, the world economy has witnessed signs of recovery but at a slow pace and yet to be stable; there were risks underlying in international financial market, inflation tended to decline, and most central banks maintained the loose monetary policy to accelerate economic growth. The domestic economy of Vietnam has achieved many positive results with a stable macro-economy and low rate of inflation in recent years. The State Bank of Vietnam has proactively and flexibly managed monetary policies, stabilized exchange rate, improved national foreign currency reserve, secured banking system's liquidity, lowered average interest rate compared to the 2005-2006 period; the restructuring process of credit institutions has been speeded up, thus increased the financial strength and governance capability of commercial banks, supporting the development of the economy and social security.

Under the aforementioned context, VietinBank has managed to overcome all difficulties and outstandingly performed business tasks, consolidated and promoted the role of the pillar bank of Vietnam banking sector in the successful implementation of the policies of the Government and State Bank of Vietnam (SBV), contributed to the overall development of the economy. During last year, VietinBank has deployed synchronized solutions, implemented innovative business operations, risk management towards international practices; followed the growth targets along with safety – quality – efficiency, asset quality has been strictly controlled, the financial targets in 2014 were achieved and even exceeded the plan.

I- RESULTS OF THE IMPLEMENTATION OF GENERAL MEETING OF SHAREHOLDER S' PLAN

1. Performance result of 2014 business plan

Unit: VND billion

Criteria	Actual performance 31/12/2013	2014 AGM's Plan	Actual performance in 2014			
			Absolute	Compared to 2013		% Completion of the plan
				Absolute	+/- (%)	
Total assets	576,368	640,000	661,132	84,764	14.7%	103.3%
Outstanding loans and investment	536,459	600,000	616,879	80,420	15.0%	102.8%
NPLs/credit exposure	0.82%	<3%	0.90%	-	-	Achieved
Mobilized funds	511,670	573,000	595,094	83,424	16.3%	103.9%
Owners' equity	54,075	54,931	55,013	938	1.7%	100.1%
Chartered capital	37,234	37,234	37,234	-	0.0%	100.0%
Profit before tax	7,751	7,280	7,302	(449)	-5.8%	100.3%
ROAA	1.4%	1.2%-1.5%	1.2%	-	-	Achieved
ROAE	13.7%	10%-12%	10.5%	-	-	Achieved
Dividend payout ratio	10%	10%	10% ^(*)	-	-	Achieved
Capital Adequate Ratio (CAR)	13.2%		10.4%	-	-	-

(*)Note: business performance results in 2014 are audited figures

- **Total assets** of VietinBank as at 31/12/2014 reached VND 661 trillion, up 14.7% compared to 2013, accomplished 103.3% of the plan set by the GMS. VietinBank continued to be one of the joint stock commercial banks with the largest asset size on the market.
- **Credit exposure** reached VND 543 trillion, increased 18% and was higher compared to the industry's average, in which outstanding loans to the economy reached VND 440 trillion. Regarding credit structure, the Bank focused on lending to the economic sectors prioritized by the Government and the national key projects and industries; VietinBank strongly committed to support the steady and sustainable development of production and businesses. Asset quality was strictly controlled with NPL/credit exposure ratio of 0.9%, lower than the industry average.
- **Investment activities** amounted to VND 177 trillion as of 31/12/2014, accounted for 27% of total assets. VietinBank never ceases to diversify its business activities on the interbank market and accelerate the sale and supply of interest and monetary derivatives. The investment portfolio has been adjusted towards profitability, ensuring the liquidity for the whole group and elevating the role and position of VietinBank on the market.
- **Mobilized funds** reached VND 595 trillion, an increase of 16.3%; funding structure continued to be diversified, balanced and flexibly operated, consistent with the funding needs and liquidity to ensure the safety and efficiency of VietinBank system.
- **Profit before tax** in 2014 reached VND 7,302 billion, thus secured VietinBank's leading position in the commercial banking sector of Vietnam in terms of profit; ROAE at 10.5% and

ROAA at 1.2% are satisfactory to GMS's plan. The income structure was diversified where the proportion of income from services was increased in order to reduce pressure on traditional credit business, in the context of fierce competition among banks.

- In 2014, thanks to the relentless efforts of the entire group and the results of proactive operations, **VietinBank's credit ratings have been improved and the Bank was highly regarded by international credit rating agencies**. Specifically, based on the improved CAR and low NPL ratio of VietinBank, VietinBank's solid contribution in the field of industry and trade in Vietnam, Capital Intelligence (CI) – a global credit rating agency, has continued to assert VietinBank's potency as it disclosed the financial strength rating (Financial Strength Rating - FSR) of VietinBank at "BB-". Moody's – the leading credit rating agency, also upgraded VietinBank's credit outlook from B2 to B1. In addition, Fitch Ratings announced the improvement of VietinBank's credit outlook from "stable" to "positive" – the highest level of this agency's evaluation scale and improved VietinBank's Issuer Default Rating (IDR) and the Support Rating Floor (SRF) of VietinBank from B to B+, further asserting the capability to overcome difficulties and develop of VietinBank.
- Besides, **VietinBank's brand and reputation continued to be affirmed thanks to the prominent awards** from prestigious domestic and international institutions: top 1000 corporations contributed the highest income tax of Vietnam for 5 consecutive years, the World's top 2000 public companies for 3 consecutive years presented by Forbes. In 2014, VietinBank was honored in Top 10 Prominent Brands of Vietnam and this is the 10th time VietinBank has consecutively received this award. Likewise, VietinBank was also honored to receive three consecutive National Brand Awards (2012-2014) for excellent corporate, confirming yet again the value of our brand name in the age of integration: Quality, innovation, creativity, pioneering capability.

2. Owners' equity and relationship with investors

- **Owners' equity** of VietinBank in 2014 was VND 55,013 billion, in which **chartered capital** was maintained at 37,234 billion, continuing to hold the leading position of a commercial bank with the highest chartered capital and strongest structure of shareholders in Vietnam. The controlling shareholder is SBV with 64.46% stake and two foreign strategic partners: BTMU and IFC, respectively holding 19.73% and 8.03% stake respectively, other minority shareholders account for the remaining 7.78%. Capital related ratios were ensured at satisfactory levels and compliant with regulations.
- **Regarding investor relation**
- + VietinBank expects to pay 2014 dividend higher than the industry average, ensures to comply with regulations and investors' legitimate interest.
- + VietinBank focuses on sustaining and improving its professionalism in investor relations, especially in the transparency of information disclosure and updating the situation to the regulatory bodies and shareholders. In 2014, the Bank had held a successful AGMS in April 2014 and extraordinary General Meeting of Shareholders in July 2014; VietinBank also organized conferences with investment funds, analysts and securities companies in order to reinforce the image and reputation of VietinBank and CTG stock on domestic as well as international financial markets.

3. Strengthening the cooperation with strategic partners and ensuring active international integration

- VietinBank has strengthened the cooperation with strategic partners who are BTMU and IFC to contribute to capacity building, effective governance and operational quality in 2014. In particular, after being founded in 2013, the Steering Committee for Strategic Cooperation, whose members are senior leaders from BTMU and VietinBank has been holding regular meetings to discuss the progress and implementation plan of collaborative initiatives, focusing on promoting risk management, improving capacity in setting up plan and strategy of the bank, enhancing activities in the field of Corporate banking and Retail banking, collaborating in the field of training and development of human resources and corporate governance.
- Besides, the strategic partners of VietinBank has sent senior experts with extensive experience in the banking and financial sectors in major economies of the world to assume consulting positions or managers of a number of Divisions/Departments, in order to support VietinBank in all activities. Furthermore, in 2014, BTMU has successfully supported VietinBank in the organization of many prominent events and conferences connecting the Bank with customers, especially multinational enterprises, businesses/organizations from Japan with FDI/ODA funds invested in Vietnam, improved VietinBank's position and expanded the influence of VietinBank on international markets, utilized the potentials, promoted products and services provided to the customers abroad. The active support and extensive experience in the banking and financial sectors of IFC and BTMU along with strong commitments of VietinBank to improve the quality of operations and corporate governance are expected to accelerate VietinBank's deep integration into regional and international markets.
- According to the implementation roadmap of network extension strategy, the Bank has continued to reinforce the activities of the German branch to ensure the fulfillment of the performance standards prescribed by the Federal Republic of Germany, with suitable business strategy in accordance with the actual conditions of the market, and established another transaction office of Pakse in Lao, advanced a new step in expansion strategy and brand presence of VietinBank in the offshore market, consistent to the international financial market integration roadmap.

4. Banking governance operation

4.1 Strengthening the senior management personnel

The year 2014 has marked a new term of service of the Board of Directors of VietinBank. The AGMS had passed the list of BOD members for the term of service of 2014-2019, comprising of:

- Mr. Nguyễn Văn Thắng as Chairman of the Board of Directors;
- Mr. Lê Đức Thọ as Board member and General Director;
- Mr. Phạm Huy Thông as Board member and Deputy General Director;
- Mr. Cát Quang Dương, Ms. Nguyễn Hồng Vân, Mr. Go Watanabe, Mr. Hiroyuki Nagata as Board member.

In July 2014, the Board of Directors directed the strengthening of the organizational structure and personnel of the Board of Directors and Board of Management, of which 03 additional members had been elected to the Board of Directors for the term of service of 2014-2019, namely:

- Mr. Michael Knight Ipson,
- Mr. Phùng Khắc Kế,
- Ms. Trần Thu Huyền.

New management team is of strong unity and has successfully completed assigned tasks, continued to advance with the endogenous energy of the Bank, administrate and implement of reforming policies, leading the whole group of Vietnam Joint Stock Commercial Bank for Industry and Trade to complete its business plan in 2014.

4.2 Strengthening the organizational structure and network management

- VietinBank has established its network all over the provinces of Vietnam and reached out to the world, with 152 branches, in which 149 are domestic branches, 2 branches in Germany and 1 in Laos, along with over 1,000 transaction offices/saving offices. For the last year, VietinBank has established a new branch in Vân Đồn, 25 new domestic transaction offices and a Pakse transaction office in Laos; developed the network expansion and upgrade scheme in order to strengthen the network, improve the capability to fulfill the financial demands from customers across regions.
- The organizational structure and operational model were reinforced and renovated to be consistent with the restructure of VietinBank on the principle of customer-centricity, innovation of system governance mechanism, clear and transparent decentralization of roles and responsibilities among units and individuals, enhancement of the coordination between departments; to create ultimate specialization, improve productivity, business efficiency, improve the capacity of operational management and risk management of the bank, creating a solid foundation to accomplish the strategic objectives of *Comprehensive transformation of organizational structure, strategic management approach of modern banking; Breakthroughs in the platform, technology solutions, product utility solutions.*

4.3 Improving risk management activities in accordance with international practices

The trend of international financial market integration demands commercial banks to satisfy the requirements on management in general and risk management in particular in accordance with international practice. Being aware of such circumstances, VietinBank's Board of Directors has proactively directed the Risk management division to reinforce and improve its operation through the research, upgrade and deployment of support tool system to identify, measure and supervise risk factors within the Bank's operation; Raised the compliance awareness through the innovation and reinforcement of internal control, implemented the branch management project based on risk, implement compliance KPI in management and supervision of compliance, prevented and mitigated risk as well as losses for branches and the bank.

4.4 Information technology development and modernization of the Bank have been identified as one of the central goals and strategies of the bank. In 2014, VietinBank

continued to implement strategic projects, focused on key modernization of the Bank such as Replacing the Core banking, Enterprises Data Warehouse project, Oracle GL project... thus establishing solid foundations to support business activities of VietinBank, contributing to improve labor productivity, cost savings, work efficiency.

4.5 Human resource management was improved in accordance with international practice

In 2014, VietinBank continued to research the best international practices in human resources management to improve its strategy and policy mechanisms of human resource management; Enforced personnel at all levels, enhanced and innovated the training process through organizing training courses with multiple courses classified in groups in terms of learner's capability and demand, besides, VietinBank has sent delegations to study and exchange experiences abroad.

5. Challenges in business operation

In order to maintain VietinBank's position as the pillar bank of Vietnam's banking system, aiming to become a prominent, state-of-the-art, versatile banking and financial group in accordance with international standards in 2018, the management team of VietinBank is well aware of the need for a spirit towards drastic innovation and promotion over all aspects of business operations, and gradually improve and enhance the operational management. Aside from the splendid accomplishments of the last year, VietinBank is still facing various challenges and difficulties; and timely recognition and solutions to overcome the aforementioned obstacles in 2015 are needed, namely: Services have seen positive growth in 2014, but growth was not commensurate with the potential; Retail activities have seen positive growth, but growth remains modest compared to the potentials of the Bank's of a wide network, infrastructure and human resources with basic training, the development of diversified services, increased utility,...

II- EVALUATION OF THE ACTIVITIES OF THE BOARD OF DIRECTORS

In 2014, VietinBank continued to experience positive development and thereby contributed significantly to the banking sector's development in particular and the socio-economic development in general. The Bank has overcome challenges and successfully completed all missions assigned by the Communist Party, the Government and SBV, efficiently and safely developed our business operation; VietinBank shall secure our leading position in the banking sector in terms of capital, credit, investments, payments, trade finance..., build up our reputation on both domestic and international financial markets.

Such accomplishments were made thanks to the ceaseless efforts of nearly 20 thousand employees of VietinBank system. Moreover, the managerial and directorial roles of the BOD and BOM were strongly promoted along with a flexible and timely business operation strategy. In the past year, the BOD and BOM had collaborated closely on the basis of a unanimous consensus, provided drastic and effective directions and successfully completed the missions committed before the AGM, constantly improved VietinBank's value, ensuring the rights and interest of VietinBank's employees and shareholders.

Though there still are many difficulties and challenges awaiting in the year of 2015 ahead, the development opportunities and the market's prospects are promising. Therefore, the Board of

Directors of VietinBank would continue to direct the whole group more drastically during the restructure of the Bank in 6 main aspects, namely: *restructure of financial resource, restructure of operational model, restructure of governance and management system, restructure of distribution channel, restructure of IT, modernization of the bank and restructure of HR*; We are determined to keep up with the momentum from these achievements, overcome the difficulties and limitations, successfully complete the objectives set in 2015, affirming our position as a pillar among commercial banks, contributed positively to the development of the banking sector and the economy, fulfilling expectations of shareholders.

**ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRMAN**

Nguyễn Văn Thắng