
Hanoi, 08th August, 2013

Proposal to the General Shareholder Meeting

Regarding the Approval of Vietinbank's strategy in expanding oversea networks

Dear shareholders,

Firstly, the Board of Directors (BoD) of Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) would like to respectfully express our thanks to all the shareholders for your interest, cooperation and support for the development of VietinBank recently.

Secondly, we would like to report and submit a proposal for your approval of Vietinbank's strategy in expanding oversea networks as follow:

I. The situation of VietinBank's oversea network operations

Currently, VietinBank is maintaining well the operations of the two branches in Frankfurt and Berlin - the Federal Republic of Germany (Germany). Besides, the branch in Vientiane - the capital of the People's Democratic Republic of Laos, is working properly and efficiently after only one year of establishment, which actively contribute to the general development of Vietinbank.

1. VietinBank in Germany:

Although the German branches of VietinBank have been in operation for more than 1 year, they have basically met the requirements, evaluation and tests of German authorities (*typically, a bank which has been newly established in such a developed market as Germany, should take over 3 years to build and improve all of its facilities, technical infrastructures and personnel mechanism to ensure normal business operations, reduce costs and approach to break – even point of costs*).

Even though, the activities of the German branches have not reached profit as expected, the efforts of the branches in recent years have been highly appreciated by the Vietnamese

community in Germany and the German authorities as well. Furthermore, they are said to be useful for the life and business activities of the community and are showing high values in maintaining compliances with German Law and orienting toward sustainable development in their business activities.

During the process of construction and operation of the German branch of VietinBank in the recent time, meeting strict criteria of the German market is such invaluable experiences for VietinBank to apply international standards on: risk management, operational model and modern management. These experiences will become key factors for VietinBank to improve its quality of banking services by it self, to innovate its models and management skills, while also contributing to the success of the establishment and expansion of VietinBank's European network in near future.

2. VietinBank in the People's Democratic and Republic of Laos

The timely participation in Laos market has contributed to meet the needs of Vietinbank's potential customers who are investing in Laos and this is a potential and prosperous investment opportunity for VietinBank. Additionally, Vietinbank may provide a wide range of banking serives to Laos and Vietnamest community of Laos

Despite only more than one (01) year of operation since its eshtablishment, the efficient performance of VietinBank branch in Vientiane – the capital of the People's Democratic Republic of Laos, has proved that the intention of the General Shareholders Meeting and the Board of Director in expanding the operation of VietinBank in Laos was an absolutely correct and strategic decision. Consequently, on the one hand, the robust performance of VietinBank branch in Laos has contributed a great deal to the general development of VietinBank. On the other hand, it has delivered successfully VietinBank services to serve the bank's customers investing in Laos

II. Oversea network expansion strategy of VietinBank

Implementing policies and guidelines of the Party and the Government under the Decision No 245/QĐ – TTg (decision of the Prime Minister) on the formulation and development of one or two state-owned banks, which are capable of international economic integration, to improve the competitiveness of banking and finance sector in Vietnam; enlisting the opportunities to learn banking management experiences, risk management, market

expansion and diversification of products and services, risk diversification; helping to promote economic, trade and investment exchanges among Vietnam and other significant countries as well as to support the business operations of Vietnamese community in overseas. VietinBank has made its great efforts in researching and exploiting the strengths of potential markets to expand its overseas networks.

The Board of Directors of VietinBank have set a near future development strategy to continue expanding cooperation and developing banking business outside of the territory. VietinBank will broaden those markets of high potentials, opportunities to develop the products and services of VietinBank in countries where a majority of overseas Vietnamese are living and working or in nations that has good economic and trade relations with Vietnam or in places of modern banking management and technology skills.

1. Oversea network expansion plan for the period 2013-2015:

In this period, VietinBank will focus on completing the **upgrading of VietinBank branch in Laos into a subsidiary in 2013** and promoting procedures for the establishment of VietinBank's branches in: The Republic of Czech, the Republic of Poland, the Kingdom of Cambodia, the Kingdom of Thailand and the Federal Republic of Myanmar.

1.1. The necessity and feasibility of the establishment of a subsidiary of VietinBank in Laos:

VietinBank has planned to increase the charter capital of the branch in Laos from \$22,000,000 (twenty two million USD) to \$50,000,000 (fifty million USD) and transform the VietinBank branch in Laos into a subsidiary which is 100% owned by VietinBank. Laos is a market where many Vietnam enterprises, many of whom are customers and partners of VietinBank, have settled up a traditional trade relation. The opening of VietinBank branch in Laos is considered as a necessary step to better serve activities relating to funds, means of payment, foreign exchange of its customers in Vietnam and Laos.

With the available prestige and brand, VietinBank has quickly become famous with Laos' banking and financial market, which has helped to connect the financial market of Vietnam and Laos and provided perfect financial service packages to both Vietnamese enterprises investing in Laos and Laos' local businesses, promoting the economic development of this country.

In addition to the benefits of investment and business opportunities, the opening of VietinBank branch in Laos is also a forwarding step to help VietinBank acknowledge and expand the operation scale of VietinBank and its subsidiaries in ASEAN area. By this way, it will help VietinBank assert its position of a leading financial group in the area.

1.2. The necessity and feasibility for the establishment of a subsidiary of VietinBank in Czech:

VietinBank is expecting to establish a subsidiary in Czech with an estimated charter capital of €35.000.000 (thirty-five million euro). Bilateral trade has seen significant developments in the recent years, which shows that a great number of Vietnamese and Czech enterprises are having great demands for the banking and financial services to serve their production and business operations. Furthermore, Vietnam has been ranked in the list of the Top 12 key markets having foreign trade priorities of the republic of Czech for the period 2012 - 2015.

On the aspect of investment, by the end of 2011, the Republic of Czech has carried out 21 investment projects in Vietnam with a total registered capital of over \$56 million, which are focused on the following areas: crystal glass, beer, electrical equipment, manufacturing and processing, kaolin and constructional materials. The potential cooperative investment sectors, which are the strength of Czech, include areas of energy, transportation (locomotives, wagons, buses, trams serving the city traffic), mechanics (machinery & equipment, engines, agricultural machinery and irrigation equipmen, etc). At the present time, Vietnam has registered 4 investment projects in Czech with an estimated capital of \$5,3 million, which are focused in the field of real estate and constructional materials. Vietnam has imported from Czech the following products: textile fabrics, garments, leather goods, machinery and equipment and products made from plastic and/or glass, etc. Those companies having economic, investment and import – export relationship between Vietnam and Czech will be the main corporate customers of Vietinbank because they are mostly large - scaled enterprizes. According to the statistics, by the end of 2012, the Vietnamese community in Czech included more than 83.000 people, ranking at the 3rd position among those nation having great immigration Czech (just behind Slovakia and Romania). A great number of individual customers will be a potential source for demands of deposits, cosumer loans and remittance services.

1.3 The necessity and feasibility for the establishment of a subsidiary of VietinBank in

Poland:

VietinBank expected to establish the subsidiary in Poland with charter capital of € 70,000,000 (seventy million euro). The Financial - banking markets in Poland is considered as the largest market in Central and Eastern Europe in terms of capital and profits. This market is stable and working under the close, effective supervision of the Financial Supervision Commission of Poland.

Economic development and the growing lending are helped Poland to become an attractive market for the banking industry. According to 2012 statistic, in Poland, there are 67 commercial banks and a network of 574 branches of cooperative banks, in which, the average number of customers using services of a bank's branch is around 2,821 peoples.

The Vietnamese community in Poland is around 50-60.000 peoples, mainly concentrated in the capital, Warsaw. This segment is one of the most important prospected customers of VietinBank. Currently in Poland, Vietnamese enterprises have a solid foothold with the markets and large commercial centers model. The business Scope of the Vietnamese community in Poland focuses on a number of sectors such as clothing trade, restaurant, arts crafts, food and some other types of services. Poland is believed as a market with the high purchasing power (more than 38 million people) and as a hub for cargo from Asia to Western Europe, Eastern Europe ... Polish market has a big contribution to the success of Vietnamese community. Like the Vietnamese community globally, the Vietnamese community in Poland also wishes to use the banking services, banking facilities of a hometown bank to cater for their owned business as well as personal needs; they also have wishes for investment in Vietnam and helping their hometown.

1.4. The necessity and feasibility of establishing the VietinBank subsidiary in the Kingdom of Cambodia

The Kingdom of Cambodia is implementing an open policy in the banking sector. It is promoted the competition between local banks; between local banks and foreign banks; through which, thereby also facilitate the cooperation between local and foreign banks. The above interactive process has become one of the driving forces for the economic- social development, consolidate and strengthen the international relations between Cambodia with the other countries in the region.

Cambodia has about 33 commercial banks, 6 investment banks, 3 representative offices of foreign banks. The presence of many foreign partners in the banking sector is contributed to the banking system in Cambodia which diverse forms of ownership, kinds of operation, and operate more efficient. However, the increase in the number of banks is mainly due to the participation of foreign banks. The number of Commercial Bank in Cambodia is high, yet low quality; it expressed through funding, corporate governance, technology, and the ability to take precautions and prevent risks ... which did not meet the standard requirement.

There are currently 05 Vietnamese commercial banks established branches in Cambodia, such as Military Bank, BIDV, Sacombank, and SHB. In addition, there are also banks of China, Japan, Korea, Malaysia, Thailand, India, Taiwan which opened branched in Cambodia.

Vietnam's investment in Cambodia increased dramatically, reaching \$ 2.5 billion in 2012, and increased 25% compared to 2011. Vietnam was the 5th investor who invests in the Kingdom of Cambodia. According to the Vietnam Investors Association in Cambodia, there are more than 40% of Vietnam Enterprise came to Cambodia to invest in the agricultural sector- focusing on rubber, 34% invested in energy, 10% invested in banking and financial services; 6% invested in telecommunications, and the rest is aviation and tourism.

With the advantage of availability of VietinBank's customers who are huge enterprises in rubber industry, energy, gas, and telecommunications, along with a large number of potential Vietnamese peoples (600,000 peoples, accounting for 5% of the population) in Cambodia, VietinBank has its confidence in the ability of rapid and successful development in this market.

1.5. The necessity and feasibility of establishing the VietinBank subsidiary in the Kingdom of Thailand:

The Economic and trade between Vietnam and Thailand is growing, particularly in the field of co-production and exports rice, finance, transportation, oil and gas ...The bilateral trade in 2012 reached \$ 8, 62 billion. Thailand is the 10/96 investor in term of quantity investing in Vietnam with 300 projects, worth \$ 6,11 billion. Vietnam currently invests 7 projects in Thailand with a total investment of \$11,35 million.

With 100,000 peoples of the Vietnamese community in Thailand and a large number of producers who invested in Thailand, Thailand promises to be an exciting and potential market for VietinBank.

1.6. The necessity and feasibility of establishing the VietinBank Subsidiary in the Federal Republic of Myanmar:

Vietnamese commodity has penetrated in Myanmar market but quantity is still limited. Most of them are only candy, coffee, flavorings and raw materials for the food industry, gas stove ... supplied by small enterprises. The trading between Myanmar and Vietnamese enterprises is spontaneous. The enterprises make payments by opening L/C through UOB Bank (Singapore). Vietnam has advantages in many fields such as tourism, food processing, production of consumer goods (70% of goods Myanmar is imported), but it has not been focused. Thus, investment opportunities in Myanmar are relatively high if the Vietnamese enterprises have professional plans to develop, particularly in the fields such as agriculture, automobile assembly, electronics manufacturing, farming seafood...

Now, the Myanmar government still does not allow establishing the foreign banks. However, the government confirmed that if they allow to open the foreign bank, Vietnamese banks will be one of the first banks who get banking licenses.

VietinBank has strong and intimate relationships with the State Bank, Ministry of Finance, Ministry of Planning and Investment as well as the other authorities of Myanmar. Thus, when Myanmar government approves the Bank Act that allows the establishment of foreign banks in Myanmar, Vietinbank believes that VietinBank will be one of the first foreign banks established in Myanmar. Moreover, with the opening and powerful wave of investment into Myanmar in near future, VietinBank forecast that Myanmar is a land full of promise and potential.

2. The oversea network expansion strategy period 2015-2020:

Based on the success of the establishment of the Bank in Germany, Laos, the Czech Republic, and Poland, VietinBank have been studied to extend branches network in: *The United Kingdom, The French Republic, Republic of Canada, The United States of America.*

For The United Kingdom, VietinBank had some delegations that visited and worked with the concerned authorities in London, as well as meeting with the London Mayor to discuss about the investment opportunities of VietinBank in UK. The Mayor and the representatives of London's government welcomed and encouraged VietinBank to promote rapidly the project of establishing the Subsidiary in UK. This is a very potential market because of the economic and trade relations and investment between UK and Vietnam, and there are also a lot of Vietnamese peoples who are living for a long time and do business effectively.

The Oversea network expansion strategy not only allow VietinBank to expand business sector and market (then have new markets and new revenue, new experiences and new positions), but also helps Vietnamese enterprises which are still operating overseas have more opportunities for cooperation, appropriate credit- finance supporting in order to be more favorable in trading and international payments; it is also the motivation to develop Vietnamese business systems and credit institutions as the modern group model, transnational operation.

III. THE PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Director of Vietnam Joint Stock Commercial Bank for Industry and Trade propound the shareholders to vote on the following content:

- 1. Approve the oversea network expansion strategy with the following contents:**

- (i) For the period of 2013-2015: Upgrading VietinBank Laos Branch into VietinBank subsidiary bank and establishing VietinBank subsidiary banks in Czech, Poland, Cambodia, Thailand and Myanmar.
- (ii) For the period of 2015-2020: Establishing VietinBank Subsidiary bank in the United Kingdom, France, Canada, USA.

2. Assign and authorize the Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade to implement the oversea network expansion strategy in accordance with the provisions of the current law and in full compliance with requirements of the State Bank of Vietnam on operational capacity, financial capacity, business efficiency while ensuring the capital adequacy indicators of VietinBank operation.

We propound the shareholders to consider and approve the above proposals.

Many thanks.

Wish you health and success.

Recipients:

- As above

*-The Board of Directors and
The Board of Supervisory, Board of
Management (to report)*

*-Archives: Capital Market Dep,
Financial Institutions Dep..*

**On behalf of
THE BOARD OF DIRECTORS
CHAIRMAN**

PHAM HUY HUNG