

**VIETNAM JSC COMMERCIAL BANK FOR
INDUSTRY AND TRADE**

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

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DRAFT

**REPORT OF THE BOARD OF DIRECTORS ON VIETINBANK'S
PERFORMANCE IN 2020
AND ORIENTATION FOR DEVELOPMENT IN 2021**

In 2020, the Covid-19 pandemic broke out globally, many countries in the region and around the world fell into recession, however, under the leadership of the Party, the correct, decisive, effective, and consistent directives of the Government and the flexible and effective management of monetary policy by the State Bank of Vietnam (SBV), Vietnam became a bright spot when successfully implementing the dual goal of preventing and combating the pandemic and maintaining the economic growth at a high level compared to other countries in the world. In 2020, Vietnam's GDP growth rate was 2.91 %, ranked in the group of top GDP growth countries worldwide, making Vietnam the 4th largest economy in ASEAN. Inflation was well curbed, macro-economy was stable, the monetary market and the foreign exchange (forex) market improved positively and average interest rates declined.

Having contributed to the recovery and development of the economy, VietinBank is proud to affirm and well promote its role as the driving force and pillar of the country, accompanying customers to overcome obstacles and restore their production and business; concurrently, promoting the innovation, reform, and restructuring of operations, successfully implementing the Restructuring Plan associated with bad debt handling in the 2016-2020 period, as well as the medium-term business plan in the 2018-2020 period.

It can be affirmed that VietinBank has never had such good financial performance, potential, position and reputation. VietinBank's business results have experienced a fundamental change in quality, with better business performance, positive shift in the revenue and customer structures. The success as aforementioned is credited to the process of bank-wide accumulation, build-up and efforts, the growth model restructuring, transformation associated with substantial efficiency, good capital management, improved treasury dealing performance in the monetary market, effective network and financial management, and higher labor productivity.

VietinBank's business indicators in 2020 all met and exceeded the targets set forth on the basis of improving operational efficiency, reducing cost of funds, strictly managing operating costs and increasing non-interest income. The credit growth at

VietinBank was controlled in association with quality improvement, in line with the Bank's capital capacity, deposit growth and the SBV's monetary policy management goal. Asset quality improved, non-performing loans (NPLs) ratio was below 1%, NPLs coverage ratio was nearly 133%. VietinBank performed final settlement for all special bonds issued by VAMC in less than 2 years instead of 5 years as projected thanks to accelerated collection and recovery of bad debts, creating a solid foundation for business activities in the coming period. The cost to income ratio was curbed at 35.5%, consolidated profit reached more than VND 17 trillion.

Not only successfully performing the business tasks, VietinBank is proudly one of the banks that have made positive contribution as the pioneer to the country's efforts for social security, effectively implemented the policies and guidelines of the Party and Government on hunger eradication and poverty reduction, improved the material and spiritual life for people in disadvantaged localities and participated in national social security programs. VietinBank has spent a large amount of fund to support the prevention of the COVID-19 pandemic in negatively affected localities. Social activities have always been promoted in positive support of the Bank's business activities.

I- DELIVERY OF TARGETS SET BY THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

1. Delivery of business targets in 2020

Following the orientations approved by the Annual General Meeting of Shareholders (AGM), the Board of Directors of VietinBank has given drastic and fruitful directives on the implementation of measures in the Restructuring plan associated with bad debts handling in the 2016-2020 period, promoting effective business initiatives from the beginning of the year towards sustainable, effective and safe growth.

Results of implementing a number of targets set by 2020 AGM are as follows:

Unit: Billion VND

Indicators (consolidated)	31/12/2020	31/12/2019	31/12/2020 against 31/12/2019		2020 AGM targets	% completion of 2020 targets
			+/-	+/-%		
Credit exposure	1,027,542	953,178	74,364	7.8%	Growth rate of 4%-8.5%	Achieved
Deposits from economic entities and residents	990,331	892,785	97,546	10.9%	Growth rate of 5%-10%	Achieved

NPL ratio	0.9%	1.2%			< 1.5%	Achieved
Separate profit before tax	16,449	11,461	4,988	43.5%	10,080	163%
Consolidated profit before tax	17,085	11,781	5,289	44.9%	10,400	164%

(Source: Audited consolidated and separate financial statements)

2. Governance and Execution

2.1. Consolidation of senior managerial personnel:

The Resolution No. 21/NQ-DHDCD dated 23/05/2020 by 2020 AGM adopted the dismissal and election of a number of VietinBank's Board members. Accordingly, the Board of Directors of VietinBank for the term 2019 - 2024 was consolidated with 9 members as follows:

- Mr. Le Duc Tho - Chairman of the Board of Directors;
- Mr. Tran Minh Binh - Board Member cum General Director;
- Mr. Tran Van Tan - Board Member;
- Ms. Tran Thu Huyen - Board Member cum Director of HR Division;
- Mr. Nguyen The Huan - Board Member;
- Ms. Pham Thi Thanh Hoai - Board Member;
- Mr. Shiro Honjo - Board Member;
- Mr. Masahiko Oki - Board Member cum Deputy General Director;
- Ms. Nguyen Thi Bac - Independent Member of the Board of Directors.

The Board of Directors of VietinBank agreed and reached consensus on the governance of the whole system, fulfilled the set objectives and tasks; drastically directed the whole system to stick to the strategic direction in fostering business solutions and initiatives towards safe, effective and sustainable growth; synchronously directed operational management, financial management, credit quality management and bad debt handling, regulations and policies as well as important issues of the Bank, successfully completed the Restructuring Plan associated with bad debts handling in the 2016-2020 period at VietinBank and the Mid-term Business Plan in the 2018 - 2020 period, creating a premise for the formulation of VietinBank's Development strategy for the period of 2021 - 2030 and Vision until 2045, as well as Mid-term Business Plan in the 2021 - 2023 period.

2.2. Results of implementation of VietinBank's Restructuring Plan in association with bad debt handling for the period of 2016-2020

2020 is the final year of VietinBank's implementation of the Restructuring plan associated with bad debts handling in the period of 2016-2020 (Restructuring Plan) according to the approval in the Decision No.2337/QĐ-NHNN (Decision 2337), VietinBank's Board of Directors has continued their comprehensive directives over the Bank's business activities closely following the contents, solutions and roadmap of the Restructuring Plan under the Resolution No.456/NQ-HĐQT-NHCT44 (Resolution No. 456) dated December 15, 2018; and the Decision No.746/2018/QĐ-HĐQT-NHCT44 (Decision 746) dated December 15, 2018, approving the blueprint of the Restructuring Plan, setting out responsibilities specific to relevant units and individuals for the formulation and implementation of the plan as well as reporting and monitoring regime of such implementation.

The Board of Directors directed an aggressive and effective execution of the objectives, orientations, initiatives and roadmap of the Restructuring Plan, comprehensively restructured VietinBank's operations in the period of 2018 - 2020 towards higher operational standards, drastic transformation of business models and practices, the business performance continued to be remarkably more effective, income structure shifted in a sustainable direction, ROE significantly improved from 11.6% in 2016 to 16.9% in 2020. Detailed solutions for restructuring are as below:

(i) Financial capacity enhancement: The Board of Directors has directed an aggressive implementation of solutions for capital increase and better quality of capital at VietinBank.

VietinBank is one of the most active banks in developing and implementing the roadmap for equity capital increase for submission to the competent authorities for approval right after the Government promulgated the Decree No.121/2020/ND-CP amending the Decree No.91/2015/ND-CP as a legal basis for commercial banks with more than 50% State-owned charter capital to increase capital through stock dividend payout. Accordingly, the Board of Directors sought the approval of the GSM for the capital increase plan by stock dividend payout from profit after tax and appropriation of funds in 2017, 2018 and profit after tax, appropriation of funds and cash dividend in 2019 as specified in Resolution No.22/NQ-ĐHĐCĐ dated 23/11/2020. Based on the GSM's adoption, the Board of Directors has directed the preparation for capital raising applications for submission to the SBV and competent authorities, and shall get the procedures completed according to the approval of the competent authorities.

In addition to the execution of the charter capital increase plan, VietinBank has simultaneously taken measures to improve financial, governance capacity and optimize the effectiveness of risk mitigation i.e issuing subordinated bonds to increase tier-2 capital, restructuring the portfolio of investment in subordinated bonds issued by other credit institutions, to reduce the pressure on capital increase and divestment in a number of subsidiaries and affiliates.

(ii) Asset quality control, particularly credit quality, bad debt reduction, enhanced measures to recover overdue debts, bad debts, and debts sold to VAMC:

The Board of Directors has drastically directed the implementation of many measures, with the focus on handling bad debts, bringing the NPLs ratio at the end of 2020 to below 1%. The functions of control, compliance and management of debt quality, and potential risks associated with all aspects of VietinBank's operations, for early detection of risks to provide timely warnings and response has been further standardized and consolidated.

The credit growth has been more realistic and effective, with a drastic shift in the customer structure in association with safer and sounder credit quality, concentrating on priority areas of the government, sectors/fields well-positioned to develop in line with local economic characteristics, key economic zones as the national economic growth engine, minimizing the arising of new bad debts.

Assets quality improvement and control have been actively implemented under multiple asset quality control measures towards reduced proportion of high-risk assets, optimal equity capital efficiency. The Bank has carried out measures of control over newly recorded bad debts, improving the effectiveness of credit risk management and recovery of bad debts, written-off debts, and debts with potential risk. VietinBank performed a final settlement for all special bonds issued by VAMC in less than 2 years instead of 5 years as projected.

The policies and regulations on credit granting processes have been increasingly standardized. The credit orientations and risk limits in 2020 were developed in line with the prospects of the economy in general and of each industry and sector in particular to mitigate arising risks and strictly control the credit portfolio, VietinBank has continuously followed up on the developments of the epidemics (Covid-19) and natural disasters in localities, assessed their impacts on the credit portfolio, and responded appropriately to minimize arising bad debts. VietinBank has proactively taken measures to accompany enterprises and citizens, shared difficulties, and supported the economy. The Bank has taken the initiative in working with corporate customers and citizens, assessed the impacts of the pandemic, promptly offered appropriate solutions for each customer and customer group to tackle obstacles, restore production and business. Practical measures and programs to support customers have been carried out, such as keeping lending interest rates and service charges at reasonable levels to support enterprises and citizens, rescheduling debts while maintaining them in the same debt group, accompanying and sharing difficulties with enterprises and citizens affected by the Covid-19 pandemic.

(iii) Improvement of capital contribution and equity investment:

To improve the performance of capital contribution and equity investment activities, VietinBank has built and implemented 6 solutions, namely: (i) Strictly and comprehensively supervising the activities of subsidiaries and affiliates; (ii) Strengthening the financial capacity, expanding the business lines of subsidiaries; (iii) Promoting the cross-sale of products of subsidiaries and affiliates to customers of VietinBank; (iv) Enhancing the management of the investment portfolio of subsidiaries, affiliates and investees; (v) Restructuring the investment portfolio, divesting from non-core businesses through share sales on the exchanges, ensuring return on investment; (vi) Consolidating the management of data and information on the performance of subsidiaries, affiliates and investees.

VietinBank has received a partial return of capital contribution from VietinBank Fund Management Company Limited (VietinBank Capital), lowering the latter's charter capital to VND 300 billion, concurrently proceeded to seek the approval of the competent authorities for the change in the legal form of VietinBank Leasing Company Ltd.

To improve the performance of its subsidiaries, VietinBank has carried out solutions to promote the cross-sale of products, services of the subsidiaries by leveraging the Parent Bank's strengths in terms of network and customer base.

(iv) Network restructuring and development:

VietinBank has consolidated and restructured its organizational model toward streamlined number of focal points, specialized functions, for better coordination, customer-centricity, operational efficiency and relevance to business strategy.

VietinBank set up Southern Customer Center to exploit the potential of the local areas, promote and make break-through in business activities in the South as a key economic region. The Bank also established Legal & Compliance Division, consolidated the models of Risk Management Division, Finance Division, streamlined the model of Retail Banking Division, consolidated the model of Contact Center and developed the models of Transaction Banking Center and Financial Solution Development Center to realize the oriented transformation of the strategic growth model in the direction of providing inclusive and well-organized financial solutions to customers.

The Board of Directors has directed a comprehensive evaluation of the operations of bank-wide transaction office network and drastic implementation of synchronous solutions to restructure, rearrange and reallocate the network of transaction offices accordingly, promptly fixing imbalances in network allocation, improving labor productivity, promoting efficiency in business operations and enhancing comprehensive risk management in all aspects of operations.

(v) Transformation of the credit-driven business model to multi-service business model:

VietinBank has transformed its growth model from scale-driven to quality and efficiency-driven on the basis of an advanced and multi-service banking platform, maintaining a reasonable growth rate; drastically changed business practices from supplying single banking product/service towards developing and offering comprehensive financial and banking solutions for customers/groups of customers, focusing on supply chain development.

With the comprehensive restructuring in the direction of strongly transforming the growth model, the bank-wide business results have further improved significantly in terms of efficiency, prompted a rapid shift in the income structure. VietinBank has strongly implemented the customer-centric strategy, competing by focusing on developing comprehensive financial solutions, fostering digitalization in all operations, improving consulting capacity, optimally satisfying financial needs of customers, cutting down transaction time and costs for both customers and the Bank. VietinBank successfully signed a distribution agreement with Manulife Vietnam, as well as strategic cooperation agreements with many large and reputable partners, contributing to the expansion and perfection of banking and financial services, bringing comprehensive experience and best quality service to enterprises and individuals.

VietinBank has taken the lead in investments into and development of modern and integrated banking technologies, ranging from technology platform to development of effective solutions and applications; at the same time, ensuring security, safety, privacy and increasing customer satisfaction. VietinBank has further developed banking solutions based on cutting-edge, safe and secure technology in line with the trend of development of the 4th Industrial Revolution. VietinBank successfully piloted the “Smart Digital Branch” system, which helps identify, route customers and improve service experience and quality. This is a breakthrough in the application of biometrics to VietinBank’s business operations in 2020. In addition, VietinBank has pioneered in providing online payment solutions on the National Public Service Portal to promote non-cash payments with convenient and fast administrative procedures.

(vi) Enhanced capabilities in management, governance and transparency in business operations:

Management and governance activities as well as governance model have been focused on and strengthened in accordance with the provisions of Circular No.13/2018/TT-NHNN dated 18/05/2018 and in line with common practices. VietinBank has adopted a risk management system that is in line with the principles and standards of the Basel Committee. Since early 2021, VietinBank has officially applied Circular 41 and met Basel II standards, creating a new momentum and leverage for the Bank to further grow and get closer to the best practices in the world.

The Board of Directors has also directed the public disclosure of transparent, accurate information on business strategy, ownership, financial situation, management structure, risk management and corporate governance in accordance with the law and international practices; formulation of medium- and long-term business plans and strategies.

The technology system was well equipped, ensuring 3 factors: (i) Technology platform, (ii) Solutions developed on the cutting-edge platform and (iii) Security, safety and privacy measures. IT operations have always been keeping up with market developments, changes and new technologies on the basis of making the best use of IT resources to improve return on investment, and enhance the application of technology in administration and business development activities.

(vii) Enhanced efficiency and effectiveness of the internal audit and internal control bodies:

The internal inspection and control activities have been carried out effectively in line with the orientation for the Bank's restructuring as well as safe and sound business development. Internal audit activities have been focusing on key operations of the bank, specific to key geographical areas and branches in the system. The causes of shortcomings, limitations and potential risks have been identified followed by specific suggestions/recommendations on how they can be fixed, improved in contributing to ensure the sustainable development of VietinBank.

(viii) Enhanced efficiency of corporate financial management:

Financial management operation has been continuously improved, VietinBank has applied a series of solutions to improve cost management performance, including strengthening the role of management and responsibilities of vertically cost managing units; budget planning has been directly and closely linked to business results and performance; costs have been categorized and grouped to be well-managed in line with banking operations (fixed costs, variable costs according to business growth and efficiency, etc.) for effective control. Procedures, records have been streamlined, technology application has been enhanced, and automation systems in financial management have been developed to reduce manual operations, improve labor productivity and mitigate risk. Cost to income ratio (CIR) was well controlled and has gradually decreased over the years from 48.7% in 2016 to 35.5% in 2020.

(ix) Capital construction investment activities:

The Board of Directors has performed strict and regular management of capital construction investment activities, ensuring the efficiency of State capital investment. For the VietinBank Tower project, the Board of Directors has issued various guidelines, solutions and drastically directed to implement the objectives of project restructuring and construction maintenance on site, including the decision to adjust the implementation deadline (overall schedule) of the Project to Quarter II/2025.

Although the restructuring goal has not been fully completed on time due to many objective reasons, the solutions that have been being implemented have created a ground for reaching the restructuring goals in the coming time.

(x) VietinBank continued to participate in restructuring weak credit institutions according to the SBV's guidelines.

2.3. Formulation of a strategic orientation for the development of VietinBank in the period of 2021 - 2030, vision to 2045, elevation of the corporate culture in association with the comprehensive implementation of the six action program.

Inheriting the achievements in the past period, in 2020, with the aim of promoting existing advantages and potentials for breakthrough development in the new period, the Board of Directors has given a direction on the formulation of a the Development strategy for the period of 2021-2030 and vision to 2045 in sync with the Development strategy of the country and the banking sector. In the viewpoint of development in the new period of *“being a national commercial bank, playing a key role and acting as the main force of the economy, accompanying and contributing to the development of the country, promoting the potential advantages of the bank, making the most out of internal resources, aligning VietinBank’s growth with the economic sectors that are considered as the country’s driving force and key economic regions, taking the initiative in participating in the integration process, improving the bank’s growth and development quality and efficiency to be equivalent to that of leading banks in the region and for sustainable development”*, VietinBank defines its Vision to be *“the leading multi-functional, modern and efficient bank in Vietnam, named in the Top 20 banks in the Asia-Pacific region; By 2045, the strongest and most prestigious bank in Vietnam, a leading bank in the Asia-Pacific region and a highly reputable bank in the world “and its Mission to be “a pioneer in the development of the country on the basis of optimal value for customers, shareholders and employees ”*.

Corporate culture is to be enhanced with the implementation of 5 core values drawn from practical activities namely “Customer-centric”; “Innovation”, “Integrity”, “Respect” and “Responsibility” representing the corporate cultural values of VietinBank in combination with extensive and synchronous application of the six action program throughout all operations from Head Office to Branches including: Standardization, Simplification, Automation of all transactional processes; promoting Personalization of responsibilities of each individual associated with effective Cooperation between individuals and units in respective specific business process.

On such basis, it is proposed to the AGM for approving and authorizing the Board of Directors of VietinBank to develop, amend, supplement, complete and adopt the Strategic development project for the period of 2021-2025, vision to 2030 to submit to the SBV according to the Decision No.34/QD-NHNN on implementation of

the Strategy for the development of the banking sector until 2025, and orientation until 2030.

II- ORIENTATION FOR DEVELOPMENT IN 2021

According to the forecast of international organizations, in 2021, Vietnam will be named in the group of countries having high economic growth rates in the region and in the world. Nevertheless, unpredictable developments of the pandemic may have negative and unexpected impacts on the economic prospects in 2021, particularly for investment, trade, services, tourism, air transportation, etc. in the context of the highly open economy increasingly integrated into the global supply chain. Hence, VietinBank should further keep abreast of the situation to promptly assess the impact on business and investment activities, concurrently, take the initiative in responding to practical situations.

Entering a new period, 2021 is the first year of implementation of VietinBank's Development strategy for the period of 2021 - 2030, vision to 2045 and Medium-term business plan for the period of 2021 - 2023, and is also the first year that VietinBank complies with the Circular 41, raising operational standards according to Basel II, which requires the Bank to make significant changes from mindset to practices to meet new requirements and standards in business operations. To successfully implement the 10-year strategy, the 3-year medium-term business plan as well as the new operational standards, the bank-wide system needs to make efforts to innovate and effectively implement a number of major guiding principles in 2021 as follows:

- (i) First, promoting higher business growth rate, accompanied by drastic improvement in quality and efficiency. Scaling up the credit and fund mobilization by at least 10% in 2021, in association with remarkably higher quality and productivity of resources. In 2021, VietinBank is to fully and comprehensively comply with Circular 41, aiming to standardize risk-based asset management through the implementation of Risk-based pricing policy; perform additional allocation of targets related to risk-adjusted efficiency and risk-weighted asset management.
- (ii) Second, continuing to strongly transform the growth model towards the "customer-centric" strategy: Strengthening the linkage among segments, between the Parent bank and its subsidiaries to synchronously develop and bundle products, services, and financial and banking solutions associated with the needs of customers and the market. Making significant changes to sales practices from selling a single product to delivering comprehensive financial solutions to customers, promoting cross-selling, upselling, and seeking for sale potential from customers' chains.
- (iii) Third, aligning VietinBank's growth with the economic sectors that are considered as the country's driving force and key economic regions: The

business orientation delivered is to be in line with the business advantages of the locality and resources are to be prioritized to increase market share in key regions, particularly market share in retail in Hanoi and Ho Chi Minh City which are the two largest and most dynamic economic regions nationwide. The roles of the Southern Customer Center and the Financial Solution Development Center are to be strongly promoted in VietinBank's strategy of transformation of growth model.

- (iv) Improving the quality of risk management, quality of growth, effectiveness, efficiency of internal control and inspection activities; promoting recovery of written-off debt and bad debts, improving asset quality.

Main business targets in 2021 are projected as follows:

Indicator	2021 targets (*)
Credit exposure	Growth rates of 6% - 12%
Funds mobilized from economic entities & residents	Growth rates, in a range of 8% - 12%, to be in relevance with use of funds and in harmony with credit growth rates
NPL ratio	$\leq 2\%$
Separate profit before tax	To ensure business efficiency and improve business operations, in constant response to developments and impacts of the Covid-19 pandemic based on the approval of the competent authorities.
Consolidated profit before tax	
Dividend payout	Projected to be more than 12%, in which dividend payout in cash at the rate of 5% of charter capital and the remaining (after tax, fund appropriation and cash dividend payment) is projected to be paid out in stock to ensure the harmony and balance between VietinBank's roles and responsibilities as the State-owned commercial bank and the interests of shareholders and investors; at the same time, improve the financial capacity for business growth. Specific plan shall be subject to approval of the competent State authorities.
Minimum CAR	In compliance with regulations of SBV
Solvency ratio	
Ratio of short-term funds used for medium and long-term loans	
Loan to deposit ratio (LDR)	
Liquidity reserve ratio	

** To be flexibly adjusted, in line with credit growth and business performance of the Bank.*

It is proposed for the AGM's approval of authorizing the Board of Directors, based on the opinions, directions and approval of the competent State agencies, the market developments and actual business operation of VietinBank, to make decisions on final targets, and publish information on VietinBank's website.

In the light of innovative thinking and determination, initiative, creativity and pioneering spirit, the Board of Directors, the Management Team and all employees of VietinBank will continue to leverage the achievements, seizing every opportunity, joining hands to overcome challenges, sparing no efforts and being highly dedicated to successfully complete the set targets. Thereby, its role as Vietnam's key commercial bank shall be reaffirmed, bringing about greater values for the bank's shareholders, employees in significant contribution to the country's socio-economic development.

**PP. THE BOARD OF DIRECTORS
CHAIRMAN**

Le Duc Tho