

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

**SOCIALIST REPUBLIC OF VIETNAM**  
Independence -Freedom -Happiness

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**REPORT  
OF THE BOARD OF DIRECTORS  
ON BUSINESS PERFORMANCE IN 2018  
AND DEVELOPMENT ORIENTATIONS IN 2019**

In 2018, the country has undergone positive and comprehensive transformation in socio-economic development, fulfilling 12/12 of set targets, a GDP growth rate of 7.08% (the highest increase since 2008 to date), contributing to achievement of socio-economic development objectives and plans according to the Resolution of the National Assembly.

Under the motto of "Discipline, integrity, action, creativity and efficiency", the Government and the Prime Minister have led and directed ministries, sectors and local authorities for timely implementation with effectiveness and consistency of measures to improve business and investment environment, for better competitiveness, enabling business development, and innovation and creativity.

In 2018, the State Bank of Vietnam (SBV) proactively and flexibly governed monetary policy, in leverage of fiscal and other macroeconomic policies for macro-economic stability, controlling inflation (less than 4%) and supporting economic growth. Credit growth is strictly under control; with effective allocation, focusing on production and business areas of priority and incentives. Restructuring of credit institutions associated with handling of bad debts was strongly implemented and achieved positive results, in accordance with the roadmap. Besides, monetary and banking legal framework has been continuously improved by SBV, toward consistency, efficiency and feasibility.

The year of 2018 marked the 30th anniversary of development of Vietnam Joint-Stock Commercial Bank for Industry and Trade (VietinBank) with its important contributions to the country's economy in the national renewal. In 2018, SBV has approved of VietinBank's Restructuring Plan associated with handling of bad debts in the period of 2016-2020, toward comprehensive restructuring, improving operational efficiency and competitiveness of the bank until 2020 and post-2020. Following the orientation and direction of the Government, SBV, the Board of Directors of VietinBank has focused on implementing synchronously and drastically business solutions, innovating the direction and administration methods; attaching importance to the application of information technology (IT) in developing business and administration activities; streamlining procedures, paperwork, improving labor productivity; quality of products and services, promoting access of businesses and people to its banking services of convenience, safety and good quality.

## **I- RESULTS OF DELIVERY OF PLAN OF THE GENERAL MEETING OF SHAREHOLDERS**

In keeping with the orientations of the bank's General Meeting of Shareholders, the Board of Directors has directed the drastic implementation of business solutions right from the beginning of the year, flexibility in administration and governance of business performance for safety, sustainability and growth. In 2018, the bank's business performance has made positive changes, achieving most of business indicators set forth by GMS. However, State authorities' pending approval of plan for capital increase for VietinBank has reduced the Bank's growth size. Specifically, the results of implementing some targets of the General Meeting of Shareholders in 2018 are as follows:

### **1. Results of implementation of business plan in 2018**

*Unit: VND billion*

<b>Indicators (consolidated)</b>	<b>31/12/17</b>	<b>31/12/2018</b>	<b>Change</b>		<b>General Meeting of Shareholders' targets for 2018</b>	<b>% of performance of 2018 targets</b>
			<b>+/-</b>	<b>+/-%</b>		
Total assets	1,095,061	1,164,435	69,374	6.3%	6% -8%	Achieved
Credit exposure	837,180	888,216	51,035	6.1%	8% -9%	Not yet achieved
Fund mobilized	752,935	825,816	72,881	9.7%	9% -10%	Achieved

from economic entities and residents						
NPL/credit exposure	1.13%	1.60%			<3%	Achieved
Separate profit before tax (PBT)	8,350	6,365	-1,985	-23.8%	6,200	102.7%
Consolidated PBT	9,206	6,730	-2,476	-26.9%	6,700	100.4%

*(Source: 2017 and 2018 consolidated and separate audited financial reports)*

- VietinBank's total assets as of December 31, 2018 reached more than VND 1.16 million billion, up 6.3% compared to 2017 and fulfilling the target set by the General Meeting of Shareholders. Although the capital increase plan has not been approved and VietinBank has to reduce the scale in the last months of the year, VietinBank still tries to ensure to meet the essential capital needs of businesses and people through comprehensive implementation of measures for credit growth from the beginning of the year. Although the credit balance at the end of the year increased by 6.1%, failing to achieve the GSM's plan, however, the average outstanding loan balance in 2018 increased by 17.6%, achieving the target of efficiency. The structure of outstanding loans has undergone positive shifts by currencies and customer segments, in particular: the average debt balance in VND increased by 18% compared to 2017, the average outstanding debt in segment of retail customers and SMEs customers increase by 31% and 29.5% respectively. Priority has been given for granting credit to customers with feasible business projects/plans and good credit ratings, high profitability, as users to multiple banking products and services; and businesses in priority areas with incentives. Credit grants to high risk areas are strictly under control. Ratio of NPL to outstanding balance remains steadily at 1.6%, achieving the planned target set by the General Meeting of Shareholders.

- Fund mobilized from economic entities and residents as of 31/12/2018 reached nearly VND 826 trillion, an increase of 9.7% compared to 2017, meeting the plan set by the General Meeting of Shareholders. VietinBank has been active in implementation of fund mobilization solutions; focusing on exploiting capital in market 1, especially promoting

attracting fund with cheap cost of capital and CASA; ensuring liquidity safety and business efficiency of the bank.

- Operational efficiency is achieved. Separated pre-tax profit in 2018 reached VND 6,365 billion, equivalent to 102.7 % of the plan set by the General Meeting of Shareholders. Consolidated pre-tax profit reached VND 6,730 billion, reaching 100.4 % of the plan set by the General Meeting of Shareholders. Business activities have been in line with the bank's orientation, toward positive transformation in income structure with diversification, improved service quality of customer-oriented features in line with the development of modern banking on multi-platform service .Total service fee income of VietinBank in 2018 reached nearly VND 6 trillion, an increase of 38.4% compared to 2017. VietinBank strengthened the development of services in the chain of links, promoting cross-selling; focus on IT application, cooperation with Fintech companies; streamlining procedures and paperwork; improving quality of products and services to create optimal conditions for businesses and people to access fully and timely to safe and modern banking services with good quality.

- Business activities have grown sustainably, safely and effectively, ensuring compliance with prudent criteria in accordance with SBV's regulations.

## **2. Executive management**

### **2.1. Strengthening senior management personnel**

In 2018, Members of the BOD of VietinBank included:

- Mr. Le Duc Tho - Chairman of the Board;
- Mr. Tran Minh Binh - Member of the Board of Directors and General Director;
- Mr. Cat Quang Duong - Member of the Board of Directors;
- Ms. Tran Thu Huyen - Member of the Board and Director of Human Resources Division;
- Mr. Hideaki Takase - Member of the Board of Directors;
- Mr. Hiroshi Yamaguchi - Member of the Board and Deputy General Director;
- Mr. Phung Khac Ke - Independent Board member;
- Mr. Nguyen Van Thang - Former Chairman of the Board, resigning as of 13/7/2018 in job rotation under Official Letter No. 7143-CV/VPTW dated 12/7/2018 of the Party Central Committee's Office;

- Ms. Nguyen Hong Van - Former Member of the Board of Directors, resigning as of 08/12/2018 to serve as Deputy General Director and Head of Finance Division.

VietinBank's Board of Directors has worked collectively with unity for administration and management of the bank's operation to achieve to an basic extent the tasks set by the Annual General Meeting of Shareholders and an extraordinary Meeting in 2018; leading the consolidation of the bank's organizational model; building business strategies; improving its mechanisms and policies according to law provisions; effectively use the resources for the bank's operational safely, sustainability and successful implementation of the restructuring plan associated with bad debt handling for the period of 2016-2020 as approved by SBV.

## **2.2. Strengthening the organization and network management model**

In 2018, in order to meet the requirements for improving management capacity, risk control, VietinBank has strengthened the model of Risk Management Division, Treasury and Capital Markets Division; Human Resources Division; establishing the Office of the Board of Directors, Finance Division, Legal and Compliance Division; streamlining and specialization of duties and functions of several departments/units at the Head Office to enhance the effectiveness of coordination among units, towards the practice of international banks. At the same time, job rotation, transfer and appointment of qualified staff for new positions, motivating employees to constantly strive and contribute to the bank's overall development.

The network of VietinBank as of the end of 2018 is as follows: (i) domestically, including: the Head Office in Hanoi, 155 Branches, 02 Representative Offices, 09 Non-business units (Card Center, IT Center, Human Resource Training and Development School, Trade Finance Center, 05 Cash Management Centers) and 958 Transaction Offices; (ii) Overseas, including: 02 branches in Germany, 01 representative office in Myanmar and 01 wholly-owned bank in Laos.

## **2.3. Improving risk management and compliance with regulations on internal control and audit**

Inspection, control and risk management are strengthened. VietinBank defines an effective internal control system as a key factor for sustainable development, ensuring long-term business objectives, helping the bank to comply with the provisions of law and internal regulations, minimizing risks arising in banking operations. Internal inspection, control and risk management are focused and strengthened; subject to regular monitoring and evaluation and control for effective identification, prevention and management of risks. Internal Audit as a function has been actively implemented through measures of capacity building ; timely detection of problems, potential risks in operations, internal policy documents, control points

established in business processes and information, data and reporting systems; proposing solutions to shortcomings and limitations; toward improved internal control system, enhanced risk management to ensure VietinBank's operational safety and effectiveness, in accordance with the provisions of law.

Lending as a process is strictly controlled from stages of selection of customers, appraisal, approval, disbursement. Following the Prime Minister's Decision 1058 / QD-TTg dated July 19, 2017 on restructuring the system of credit institutions associated with handling bad debts in the period of 2016-2020 and Resolution 42/2017/QH14 on piloting of handling bad debts of credit institutions, in 2018, VietinBank continued to control and improve asset quality, especially credit quality; strengthening measures to recover overdue debts, bad debts and bad debts sold to VAMC.

#### **2.4. Improving financial management capacity, exploiting and maximizing the application of information technology, optimizing performance of operations as a function to support business activities, toward improved labor productivity and effective banking management:**

In 2018, the BOD directed the consistent implementation of measures to improve the efficiency of financial management and establishment of Finance Division to improve business efficiency. Labor productivity of the bank has been steadily improved thanks to reforms and streamlining in its processes and procedures and technological application, exploitation of features of the Core Banking system. VietinBank has applied risk prevention technology, in order to ensure safety and security, smooth operation of electronic banking services and improvement of quality of IT products and services.

With the growth of financial technology, VietinBank is actively connecting with Fintech companies, creating diversified and modern products with high technology contents, particularly its Business matching products - understanding and connecting global business, screening and introducing the most suitable partners for businesses. There are currently more than 15,000 businesses in more than 110 countries participating in this digital business platform.

The BOD aims to centralize and optimize operations to improve labor productivity, ensure business support tasks and smooth, safe and efficient banking management, contributing to improving service quality, and customer satisfaction.

## **II- DEVELOPMENT ORIENTATION IN 2019**

In 2019, the world economy is forecast to undergo a slowdown due to the effects of trade tension, declines of drivers for growth in major economies, unpredictable prospects of

the financial and monetary markets .However, the country's economy remains characterized with multiple positive features thanks to the Government's efforts for institutional reform, improvement of business environment, creating favorable conditions for businesses, aiming at macroeconomic stability and control of inflation, improving productivity, quality, efficiency, autonomy and competitiveness of the economy.

In 2019, the SBV continued to adopt active and flexible monetary policies, in harmony with fiscal policies and other macroeconomic policies to curb inflation below 4%; maintaining macroeconomic stability, supporting economic growth, stabilizing the monetary and foreign exchange market. Restructuring of credit institutions has been under progress, toward an on-balance-sheet bad debt ratio of below 2%.

On the basis of directions of the Party, Government, SBV, VietinBank's medium-term business plan objectives and the restructuring plan associated with handling bad debts in the period of 2016 - 2020 as approved by SBV, the bank's performance in 2019 shall be carried out in accordance with the set roadmap. Innovation, creativity and flexibility shall be promoted in administration and management of the bank's business performance in accordance with advanced practices and international standards; timely embracing opportunities of the market; focusing on improving efficiency, maintaining reasonable growth rates associated with good management of growth quality, governance of capital costs. Loans and banking services with the most reasonable interest rates are to be provided in a timely and effective basis to meet well-merited capital demands of the economy; further improving service quality, developing a variety of modern services and products, transforming income structure towards increasing non-interest income; strengthening cost management in accordance with business growth rate; enhancing handling and recovery of bad debts and written-off debt collection; improving quality of risk management and asset quality.

Some key tasks in business activities of VietinBank in 2019 are as follows:

**First**, to concentrate resources for effective implementation of the restructuring plan associated with handling bad debts, ensuring the completion of the content and objectives of the plan in accordance with the schedule. Measures are to be consistently and radically taken to increase the bank's own equity capital; restructuring the portfolio of RWAs, optimizing the structure of outstanding loans and assets, prioritizing low risk assets, controlling credit growth associated with improving credit quality. To develop effective, safe, sustainable and transparent business operations, based on human and technological resources, as a key driver for growth.

**Second,** to work out radical and innovative solutions in management and administration of business activities, scaling up with safety and effectiveness, in accordance with capital plans toward regulatory prudent ratios. To consistently implement measures for restructuring the structure of income sources, strongly improving the portion of non-credit fee income; steadily improving, and modernizing the process of provision of products and services towards streamlined procedures, creating favorable conditions for customers in dealing with banks; improving quality of products and services, and satisfaction, trust and loyalty of customers to VietinBank. In particular, modern tools for payment shall be deployed, promoting cashless payment, and application of new technologies to offer stronger privacy, security and utilities for customers.

**Third,** banking management system shall be further improved in accordance with advanced international standards and practices, especially improving the quality of risk management, internal control and audit according to current regulations and good international practices. VietinBank's business performance shall be conducted in full and consistent compliance with provisions of the law and regulations of SBV in monetary - banking sector. Culture of compliance, professional ethics, and discipline is to be promoted; strict enforcement of working regulations and information privacy as required.

**Fourth,** Measures shall be consistently and radically deployed for debt handling and debt recovery; speeding up debt settlement according to market mechanisms; improving inspection, internal control, capacity for appraisal and risk assessment, standardization of credit granting processes and policies.

**Fifth,** To consolidate organizational models, functions, tasks, powers, and coordination among units in the bank, fully tapping on capacity of employees to improve labor productivity and business performance. The development of VietinBank system is to be human-centered as the principle, and foundation for the bank's sustainable success. Financial management, and cost-effectiveness are to be ensured for practicality in facilitating business activities.

**Sixth,** to promote innovation and creativity in all aspects of business performance, proactively anticipating technological trends, promoting full play of application of science and technology into VietinBank's activities, optimizing the widespread power of digitization as drivers growth and strong shift of business operations; improving customer service quality; strengthening efficiency of administration and risk management; promoting automation, improving competitiveness in line with the era's development trends.

**Seventh,** to promote the bank's pioneering tradition in promoting the Party leadership and improving effectiveness of performance of the bank's Party Committee and mass



organizations. To deliver social security work according to the guidelines of the Party, the policies, directions of the Government and the State Bank of Vietnam; promoting VietinBank's role as the leading bank, and a pillar in the country's socio-economic development.

Business plan of VietinBank in 2019 shall be affected by external factors due to the pending approval of the bank's plan for charter capital increase, despite optimal utilization of other measures for capital increase. Therefore, VietinBank's capital raising continues to be of utmost urgency. In case of approval of retained earnings in 2017 and 2018 and measures to improve capital adequacy ratio to be fully adopted, VietinBank's business targets in 2019 shall be as below:

### 1. 2019 Financial targets

Financial indicators (consolidated)	Expected targets for 2019
Total assets	Up by 2%- 5%
Credit exposure	Up by 6% - 7%
Fund mobilized from economic entities and residents	Up by 10% - 12%
NPL ratio (on balance sheet)	<2%
Profit before tax (PBT) (consolidated)	VND 9,500 billion (in which, separate PBT is at least VND 9,000 billion)
Dividend	It is proposed that all retained earnings (after paying taxes and appropriated to funds as per regulations) shall be made as stock dividend or profit shall be retained in full for capital increase
Minimum capital adequacy ratio (separated, consolidated)	To comply with SBV's regulations
Solvency ratio	
Portion of short-term deposits used for medium and long-term loans	
LDR	

### 2. The General Meeting of Shareholders to authorize the Board of Directors of VietinBank to decide the business indicators in 2019 of VietinBank after getting approval from the State competent authorities.

In innovative thinking and spirit of determination, creativity, pioneering, the Board of Directors and all VietinBank staff shall continue to promote the achieved results, making the most of every opportunity and spare no effort with strong will to successfully achieve the goals of 2019 .Thereby, VietinBank shall be further developed in an increasingly

comprehensive, efficient, safe and sustainable, for its greater contribution for broader development of the banking industry and the country's socio-economic growth.

**For Board of Directors  
CHAIRMAN**

*(Signed and sealed)*

**Le Duc Tho**