

**VIETNAM JOINT STOCK COMMERCIAL  
BANK FOR INDUSTRY AND TRADE****SOCIALIST REPUBLIC OF VIETNAM**  
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Tel: 04.39421030; Fax: 04.39421032  
Tax code: 0100111948*Hanoi, 14<sup>th</sup> April 2017***REPORT OF THE BOARD OF MANAGEMENT****2016 BUSINESS PERFORMANCE****DIRECTION AND DEVELOPMENT PLAN FOR 2017**

In 2016, Vietnam's economy had faced many difficulties: low global economic growth and trade, negative impacts of natural disaster as well as environmental incident in the central provinces. However, the Government has demonstrated the greatest determination in macroeconomic moderation, ensured consistency among fiscal policy, monetary policy and other policies to control inflation, stabilized the economy and promoted sustainable growth. Improvements in business and investment environment and national competitiveness have been witnessed and recognized by many international agencies. GDP growth rate in 2016 is estimated at 6.21%, with the growth rate higher from quarter to quarter. Again, trade surplus was seen and is estimated at USD 2.68 billion along with relatively strong export growth. CPI was stable at 4.74% for the entire year. However, the economy still had to face many challenges, namely the difficulties in balancing budget expenditure and revenue, high public debt, and the slow restructuring of many sectors and industries.

The finance and money market in 2016 continued to show significant improvements thanks to the active and flexible management of the State Bank of Vietnam (SBV). The outstanding results are core inflation was in control, liquidity was abundant enough to respond to the capital demand of the economy, interest rate on the market was stabilized and going down, especially interest rates applicable to business and manufacturing sectors encouraged and prioritized by the Government. The exchange rate and foreign exchange market were stable and the foreign exchange supply and demand were guaranteed and the new exchange rate mechanism is showing efficiency. The credit growth of the banking sector was estimated at 18.71%, credit structure moved on the right track.

In that context, closely following the directions of the Government, the SBV, market developments and forecasts, the Management Team of VietinBank has been active, drastic, flexible and creative in management with the formal launch and implementation of medium-term business plan. The whole bank aggressively and synchronously deployed business initiatives on the basis of following the medium-term strategic vision and objectives. As such, business activities strongly, sustainably and continuously grew right from the beginning of the year. The Bank's operation was directed to grow in a secure manner, towards international standards and practices, maintaining VietinBank's position as the leading bank in terms of scale, operational efficiency and growth rate, ensuring the interests of shareholders and employees.

## SECTION I

## BUSINESS PERFORMANCE RESULT IN 2016

## I. Results of Business Performance Indicators in 2016

In VND Billion

Indicators	31/12/2015	31/12/2016	Compared with 31/12/2015		2016 GMS Targets	% accomplished
			+/- VND billion	+/- %		
Total assets	779,483	948,699	169,216	22%	889,550	107%
Total mobilized funds	711,785	870,163	158,378	22%	811,445	107%
Credit exposure (*)	609,652	721,798	112,146	18%	707,461	102%
NPLs/Credit exposure	0.7%	0.9%			<3%	Accomplished
Profit before tax	7,345	8,569	1,224	17%	7,900	108%
Chartered Capital	37,234	37,234	0	0%	49,209	76%
Owner's Equity	56,110	60,399	4,289	8%	64,455	94%
ROAA	1.0%	1.0%	0.0%		0.9% - 1.2%	Accomplished
ROAE	10.3%	11.8%	1.2%		10.0% - 11.0%	Accomplished
CAR	10.6%	10.4%			>9%	Accomplished
Dividend payout ratio	7%	7%				

(\*) Calculated in accordance with the regulations stated in Official Letter No 1531/NHNN-CSTT dated 16/3/2016 and guidance stated in Official Letter No. 10049/NHNN-CSTT dated 30/12/2016

## 1. Total assets achieved impressive growth

The Bank's total assets amounted to VND 949 trillion as of 31 December 2016, an increase of 22% against 2015 and achieved 107% of the 2016 GMS targets. VietinBank continued to be one among the leading banks of the market in terms of total assets.

## 2. Outstanding loans and investment rocketed in combination with sound asset quality control, better asset structure

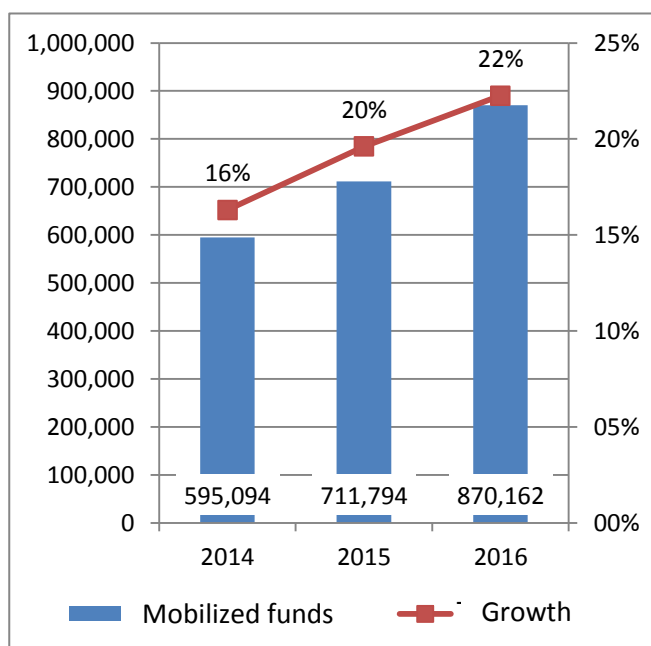
- **Credit exposure as of 31/12/2016** amounted to VND 722 trillion, increased by 18% compared to the year-beginning, accomplished 102% of the target.

+ **There was better loan portfolio structure** which is in line with the management team's orientation: strong growth recorded in businesses and manufacturing sectors prioritized by the Government and national key projects.

+ **Credit quality** was always under strict monitoring and in compliance with the provisions of the Law and prudent limits as prescribed by the SBV thanks to drastic and synchronous solutions taken. NPL ratio as at 31/12/2016 was controlled at a low level of 0.9%/credit exposure.

- **Investment Activities:** VietinBank focused on diversifying its products and services, developing modern investment products, maintaining its role as a market-maker with a total investment amount of VND 237 trillion, increasing by 21% against 2015.

## 3. VietinBank continued to sustain the deposit growth rate in line with demand for funds to serve lending, the funding structure was diversified



Funds mobilized as of 31/12/2016 was VND 870 trillion, an increase of 22% compared to 2015 and accomplished 107% of GMS target. Deposits from corporate customers increased by 21%, deposits from individual customers increased by 16%;

VietinBank always proactively explored sources of funds in both VND and foreign currencies at a reasonable cost. Effort was paid to promote growth of demand deposits and deposits from individual customers.

#### 4. Boosting the growth and proportion of fee income, improving operation efficiency

In 2016, VietinBank actively developed non-credit products and services, modern payment solutions to improve its income structure. As such, fee income has reached 13% of total income, higher than that in 2015.

- ***Payment services were strongly developed, serving as a platform of the business strategy:*** Payment services development has been identified as a key task in the bank's business strategy and strongly promoted through modern product improvement solutions that are converging international standards; heading towards satisfying payment demand of the economy, offering safe, efficient and convenient means of non-cash payment to customers according to the SBV's orientation. VietinBank has step by step fortified the bank's payment platform, developed its diversified payment products, developed modern distribution channels, bolstered cross selling, and sold more products and services. Many hi-tech multi-functional service have been developed in order to satisfy the more and more sophisticated needs of the customers.
- ***VietinBank continued to maintain its position as the market leader in terms of card products, ATM and POS:*** In 2016, VietinBank made a hit with the launch of iPay Mobile App version 3.0, the product has won many prestigious awards namely Sao Khue Award, Best e-banking solution award by IDG (International Data Group, Inc.). In addition, VietinBank has focused on the implementation of key projects related to provision of payment services and the development of modern payment systems for financial institutions and public administration units.
- ***Overseas remittances continued to grow.*** Despite the fierce competition from local banks, VietinBank has actively offered solutions to attract overseas remittances. In 2016, VietinBank successfully negotiated and signed agreements with major partners in England, Australia and Japan as Earthport, Instarem, SBI... and expanded the network by 120 new transaction points. As a result, overseas remittance achieved a growth of 5%, accounting for 15% of the market share of official remittance channels, in which key services of Western Union and CIMB grew impressively by about 9%.
- ***Cash & vault services*** witnessed many positive changes. VietinBank has proactively made investment in various modern equipment such as automated cash handling machines and as a result, productivity in Cash and Vault operation has been improved significantly.

- **Good growth in Foreign Currency Trading, secured the 2<sup>nd</sup> largest market share.** VietinBank always followed the movements of the macro-economy and cash flows of its partners, customers as well as SBV's moves to figure out a sensible trading strategy and took action in advance or in time against the market. The foreign currency trading volume on a daily average on the interbank market of VietinBank accounted for 12-14% of the entire market volume.
- **Trade finance and international payment fee.** In the condition of a highly competitive market, VietinBank's branches have put enormous effort in pushing fee income in 2016, and achieved 14.4% growth compared to 2015.
- **Investment banking service grew well** with the focus on both quantity and quality of services in M&A advisory, Equitization & Divestment advisory for many major groups and corporations. This did not only bring about high income for the bank but also fulfilled corporate customers' demand and contributed to the development of the stock market.

#### **5. Subsidiaries, overseas branches and affiliates have achieved many positive business results:**

- **Subsidiaries and overseas branches:** 2016 has seen positive growth with PBT of VND 443 billion, an increase of 13% from last year. Investment, capital contribution for the establishment of subsidiaries did not only help provide customers with variegated turn-key financial products and services but also contribute to common profit of VietinBank, thanks to the subsidiaries' performance results what have grown significantly from last year.
- VietinBank's investments in joint ventures and affiliates are safe and have a long-term targets. The majority of these investments brings dividend on an annual basis, such as ones in Indovina, SaigonBank, NAPAS, with high dividend and profitability. Companies that VietinBank invested in are leaders in their respective sectors, with high financial capacity and production efficiency.

#### **6. Continuing to be the bank with outstanding performance:**

- PBT in 2016 amounted to VND 8,569 billion, achieving 108% of the GMS target. Among which fee income has made positive changes, increased by 26% from 2015 and the proportion of fee income over total operating income has shown increasing trend compared with 2015. ROE and ROA are 11.8% and 1% respectively, accomplished the target set by the GMS.

As of 31/12/2016, VietinBank's owners' equity reached VND 60,399 billion, chartered capital amounted to VND 37,234 billion, reaching 94% and 76% GMS targets respectively. The reason for the Bank for not being able to meet the GMS capital targets are (i) The expectation of no dividend payment in 2015 for the supplementation of the owners' equity and improvement of financial capability of VietinBank which had been approved by the AGM 2016 as per Resolution No. 15/NQ-ĐHĐCĐ was not realized due to the requests of the competent authorities; (ii) the merger of PGBank has not been completed since the SBV has not granted the in-principle acceptance and official acceptance in accordance with the current laws on merger & acquisition.

- Activities of Subsidiaries and overseas branches showed great growth.
- VietinBank continued to stay in the top leading banks in fulfilling its duties to the State Budget.

## **II. Innovation and enhancement in organization and management of business activities**

In 2016, in a context of a turbulent and uncertain world economy, declining world trade, and a domestic economy that is challenged by the global impacts, the State Bank of Vietnam still managed to actively and flexibly operate the financial and money markets and thus,

significant changes had been made. Core inflation is in control, liquidity is abundant in order to respond to the capital demand of the economy, interest rate on the market is stabilized and showing a decreasing trend, especially for business and manufacturing sector encouraged and prioritized by the Government.

Following the mandate of the Government and the directives of the State Bank, the BoD and BoM of VietinBank have flexibly applied such determinations in response to the actual condition of the market, closely monitored and assess the situation to adapt. Specifically, VietinBank has boosted credit growth in a steady and sustainable manner under the direction given by the SBV; proactively participated with the SBV in the restructuring of credit institutions, contributed to the enhancement of financial capacity and strengthened the banking system.

### **1. The leader in implementing policies and directives of the State:**

- To assure its role as the major and key capital channel of the economy, right from the beginning of the year, VietinBank has taken initiative in fund mobilization and taken advantage of reasonable funding sources, optimizing operating costs, standardizing procedures, applying the best practices in management and governance, simplifying processes on the principle of strict conformity with the Law and the SBV.
- VietinBank is the pioneer in implementing the interest rate reduction directive applied to businesses and manufacturing in 5 prioritized sectors, and fulfilled to the maximum the demand of our customers especially SMEs, households, individuals, FDI and the major corporations that are the pillars of the economy.
- VietinBank is also the leader in bank-enterprise connection through business promotion activities at municipal level and provided support to companies that are facing difficulties in borrowing.
- Along with the banking sector restructuring, strengthening and improving the efficiency and safety of the credit institution system project, VietinBank has collaborated in the GP Bank and OceanBank restructuring project as well as submitted to Government and the SBV to reinforce and facilitate stable development of the two banks in coming time. Moreover, VietinBank have also supported DongA Bank by sending senior officers to work there during the bank's restructuring process under the directives of the SBV.

### **2. Determination in growth quality management and NPL management:**

- With drastic and uniform measures in debt quality management and NPL recovery, as of the end of 2016, VietinBank continued to maintain the best asset quality with NPL ratio of below 1% - this is significantly lower in comparison with commercial banks in Vietnam. VietinBank has been very drastic, vigilant and determinative to collect and recover NPLs, loans sold to VAMC, and from that, accelerate the capital turnaround to serve business activities.
- Risk management across the system has been strengthened and implemented consistently across the system and significant changes have been made. VietinBank has proactively identified key risks in a timely manner, figured out solutions to ensure a safe and efficient portfolio structure. Risk culture was enhanced and communicated to each employee of the Bank to improve the awareness of all employees regarding risk management. Control and supervision were improved by adoption of the 3 lines of defense model across the entire bank. Besides, the system has been comprehensively prepared all the conditions for the implementation of Basel II roadmap in compliance with the request of the SBV, heading toward the goal of becoming one of the first bank in Vietnam to successfully apply Basel II in capital management in banking.



**3. Developing a modern technology platform to develop products and services to fulfill customer demand to the maximum.**

- In 2016, VietinBank highly concentrated its resources on 2 major projects, namely CoreBanking Replacement and Enterprise Data Warehouse (EDW) to speed up the last phase to the finish line. The new CoreBanking is highly expected to help VietinBank offer professional financial services and through that, contributing to elevate VietinBank's position to regional level and make a transcendent mark for Vietnam's banking sector in innovative and modern banking solutions.

**4. Model transformation of business-related divisions, Operation division, Training and HR arrangement and networking were implemented in a timely and synchronous manner to support business activities**

- **Model transformation has led to a breakthrough in business development.** The system-wide adjustment of business model has been officially completed: The Operation Division, Branding and Communication Division, Credit Approval Division were officially established; The Cash Management Center Model has been propagated and the Payment Center Model has been fortified; the research for the deployment of the Centralized Debt Management And Recovery Center is being carried out to make sure of the best support to Business-related divisions and make sure that the Bank operates in a smooth and efficient manner.
- **Network.** To support business operation and serve customer demand better, VietinBank has established 5 retail branches and Phu Quoc branch, continued to expand its market in Laos through the establishment of Champasak branch; VietinBank also established cash management centers in Hanoi, HCMC, Bac Ninh, Hai Phong...
- **HR, training, wage policy.** VietinBank concentrated on strengthening high-quality human resources, improving remuneration system and welfare policies so that the wage mechanism is the driving force for business development and in accordance with the market practice. Training and emulation were carried out in a diversified way in order to optimize the quality of human resources, encouraging collectives and individuals to fulfill their tasks excellently in all fields.

**5. Communication is accelerated:** VietinBank communicated its brand and business orientation across the entire bank.

**6. Proactively participating in social welfare, fulfilling social responsibilities, contributing to the elevation of VietinBank's prestige and brand**

VietinBank effectively implemented the directives and policies of the Communist Party and the Government regarding poverty eradication through charity and social welfare programs across the country. VietinBank is staying firm as the leading bank in charity works and providing support to people suffering from natural and environmental disaster in the Central region. VietinBank also paid tribute and appreciation to national heroes and their families.

## PART II

### BUSINESS DIRECTION AND ORIENTATION FOR 2017

2017 is expected to be another challenging year yet it also offers opportunities to the financial and banking sector. Amid intense competition, international financial groups and organizations consider Vietnam as an attractive environment to expand business activities. Customer demand for products and services is further increasing towards modern and convenient banking products and services. With the best effort, the entire VietinBank system will closely follow the targets, mobilizing resources to promote business continuous growth, maintaining its number 1 position in the market on the basis of ensuring efficiency and monitoring asset quality

of the whole system; developing modern products and services, particularly transaction banking services to accelerate income structure transformation, improving competitiveness in the market. The Bank will constantly standardize all aspects of operation in a comprehensive manner, improving risk management capacity, developing infrastructure, modernizing IT system in line with international standard and practice, creating a solid foundation to become a standard bank in the region by 2018.

## I. KEY FINANCIAL TARGETS:

Below are business targets for 2017 of VietinBank:

Indicator	Unit	2017 targets		
		Plan	+/-against 2016	+/-% against 2016
Total Assets	VND Bil	1,081,634	132,935	14%
Credit Exposure	VND Bil	826,865	114,224	16%
NPL/ Credit exposure ratio	%	< 3%		
Total mobilized funds	VND Bil	996,482	126,319	15%
Profit before tax	VND Bil	8,800	231	3%
ROAA	%	0.8% - 1%		
ROAE	%	10.0% - 11.0%		
Dividend payout ratio	%	Expected to be 5% - 7%		
Capital Adequacy Ratio (CAR)	%	In compliance with SBV's regulation		

## II. SPECIFIC MISSIONS:

### 1. Regarding business activities:

- **Strongly deploying business activities, maintaining VietinBank's role as a key state-owned commercial bank to provide funds to the economy**, sticking to the growth orientation of the medium term business plan, strongly developing SME and retail customers in which focusing on serving super-micro enterprises, manufacturing and businesses, developing FDI customers, further enhancing VietinBank's 1st position in serving large corporate customers. Following credit orientation set by the SBV, prioritizing to finance sectors encouraged by the government.
- **Enhancing financial capacity and raising chartered capital:** In order to meet the needs to serve economic development, VietinBank needs to implement urgent measures to enhance its financial capacity and increase chartered capital by the end of 2017. VietinBank will set up a plan for capital raising from annual dividend, capital injection by shareholders, restructuring its capital structure and proposing a number of specific mechanisms for VietinBank

### 2. Risk management activities:

- Improving business performance and risk control. Enhancing discipline in governance activities. Focusing on improving risk management capabilities, especially for new risks related to technology. Strengthening supervision and monitoring across the system, improving the efficiency of 3 lines of defense model, in which the compliance and awareness culture must be improved at Line 1. When VietinBank's capital increase plan is approved, VietinBank will strive to become a pioneer in the application of standards for capital calculation under the Basel II standards in line with the requirements of the SBV before deadline.

- Sticking to the guidelines and direction of the SBV, supporting mechanisms and policies to remove difficulties as provisioned by the ministries and state agencies in NPL disposal, VietinBank shall focus on the implementation of specific measures to promote the NPL recovery process, enhance the collection of written-off debt and debt sold to VAMC in 2017.

### 3. Supporting activities:

- Concentrating resources to successfully implement payment banking and investment banking projects to contribute to make a quick, sharp change of the income structure to increase fee income. Apart from striving to meet all the demands for traditional products and services, continuing to proactively analyze and closely follow market movements to boost investment banking activities, performing its role as a bridge between enterprises and investors, providing customers with the most appropriate and effective financial solutions. Continuing to develop a sustainable and straight-through payment platform, ensuring better control over risk and efficiency in payment operations, aiming to implement the Payment Bank Project, providing new, modern payment solutions in order to fully satisfy the needs of all customers for fast and efficient payment, meeting international standards and in accordance with the orientation for payment structure in Vietnam.
- Establishing Credit Approval Division which separates Appraisal Departments by customer segments to give credit approval operation the best support that suits the characteristics and risk appetite of each customer target. At the same time, reviewing and evaluating the whole operational procedure at branches and Head Office, aiming to further reduce transaction processing time for customers, improve productivity, reduce and manage operating cost reasonably, raising efficiency in line with the Government and the SBV's direction on improving business environment.

- 4. Banking Modernization:** Officially deploying Core Banking Project at the beginning of 2017. Making full use of the features and application of technology in boosting business activities, developing new products and services, increasing labor productivity and improving governance capacity. Promoting modernization strategy via the implementation of four groups of solutions: (i) cooperation with Fintech to enhance creativity and dynamic; (ii) cooperation with partners to set up an ecosystem that provides products and services to serve all customer demand, (iii) acceleration of digitizing banking activities to help replace traditional business operations, (iv) development of technology applications to perform automation, increase labor productivity.

### 5. HR Activities:

Efficiently deploying staff streamlining plan, aiming towards productivity, improving HR quality and elite, ensuring high income for employees. Consolidating the entire network, reviewing and reallocating units logically, continuously improving operational efficiency. Transforming compliance culture, targeting customers and employees.

- 6. After the establishment of the Brand & Communications Division in early 2017,** VietinBank will be the leading bank in development and elevation of brand value, promoting communications in line with the progress of VietinBank in particular and the banking industry in general. Promoting communication activities in various forms to enhance brand power, directly support business activities, promote mechanisms of government policies and the SBV, activities and performance of the banking sector, improving the reputation of the



banking sector and VietinBank's brand, strengthening the confidence of the people and enterprises.

7. **Continuing to support the restructuring of the banking sector**, prioritizing to allocate resources to and providing comprehensive support to incompetent banks in corporate governance, strategy, human resources, training and support of operations. Proactively participating in restructuring the banking sector under the SBV's direction and guideline in the coming time.
8. **Social welfare activities:** Continuing to promote the role and responsibilities as a leading bank to well perform its social responsibilities, sharing with the community in poverty reduction, supporting sustainable growth in accordance with the policies of the Communist Party and the State.

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In 2016, by closely following the directions of the government and SBV, VietinBank's business performance has achieved positive results, contributing significantly to the development of the banking sector and socio-economic development. Besides, VietinBank has promoted its tradition as an enterprise that always pays great effort in social welfare activities. Working conditions, physical and mental life of more than 20,000 employees have been further improved. Shareholders' rights are firmly guaranteed.

In 2017, the BoM and every employee of VietinBank are determined to live up to our accomplishments, overcoming difficulties and weakness, successfully completing all the mapped out targets, confirming the leading position of VietinBank, positively contributing to the banking sector and socio-economic development of the country.

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

**LE DUC THO**