

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

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

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REPORT OF THE BOARD OF DIRECTORS ON VIETINBANK'S PERFORMANCE IN 2019 AND ORIENTATION FOR DEVELOPMENT IN 2020

In 2019, Vietnam's socio-economy has achieved positive results across all sectors, affirming the proper and drastic directions, management of the Government; and the flexible and effective monetary policy management of the State Bank of Vietnam (SBV). The macro-economy has been stable, with inflation under control, improvements made in business and investment environment, effective financial market, foreign exchange market and banking operation secured and foreign exchange rate kept stable.

Following the directions of the Government and the SBV, in 2019, Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) has drastically and effectively implemented the contents, objectives, roadmap and solutions of the Restructuring Plan associated with handling bad debts in the period of 2016-2020 and medium-term business plan of the period of 2018-2020. VietinBank has strongly transformed its business model from heavy reliance on large-scale growth to improving service quality and effectiveness of development, on the basis of a modern and multi-services banking platform; vigorously renovating its business model from providing each product or service separately to development and offering full packages of financial and banking solutions across each chain of linkages to customers/groups of customers. At the same time, VietinBank has continued to consolidate its organizational structure and personnel; improving labor productivity and optimizing network performance; simplifying and streamlining processes, procedures, paperwork; promoting application of information technology in developing business activities and administration; improving management and governance capacity, risk management; specialization of business operations toward a organizational model in line with international practices.

To strengthen its internal motivation and strength, in 2019, VietinBank has promoted the development of corporate culture combined with the active implementation of the "6-ation Program" (Standardization, Simplification, Optimization, Automation, Responsibility Personalization and Collaboration) in all of its activities. These contents have been put into practice, bringing about changes in mindset, approaches and behaviors of the full spectrum of the bank's Management, and employees, demonstrating the determination and efforts for innovation toward outperformance of VietinBank's set targets for 2019. As a result, the pace of efficiency improvement was 5 times higher than the growth in size, net service income increased by 37% year on year; growth quality was well controlled; asset quality was improved; NPL ratio was kept at a low level of less than 1.2%; separate profit in 2019 reached nearly VND 11.5 trillion, 27% higher than the target; profitability was higher.

Not only successfully performing its business mission, VietinBank is also proud to be one of the banks that have made positive contribution as the pioneer to the country's efforts for social security, and effective implementation of the Party and Government policies and guidelines toward hunger eradication and poverty reduction, overcoming the consequences of natural disasters,

supporting the development of health care, education and promoting the tradition of supporting those who are in need. Social activities have been promoted in positive support of the bank's business activities.

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

1. Delivery of business targets in 2019

Following the orientations approved by the General Meeting of Shareholders (GMS), the Board of Directors of VietinBank has made drastic directions, which brought about results, on the implementation of measures in the restructuring plan associated with handling bad debts in the 2016-2020 period, promoting effective business solutions from the beginning of the year towards sustainable and safe growth.

Results of implementing a number of targets set by GMS in 2019 are as follows:

Unit: VND billion

Indicators (consolidated)	31/12/2019	31/12/2018	31/12/2019 against 31/12/2018		2019 GMS targets	% of 2019 targets
			+/-	+/- %		
Total assets	1,240,711	1,164,290	76,421	6.6%	2%-5%	Achieved
Credit exposure	953,178	888,216	64,962	7.3%	6%-7%	Achieved
Deposits from economic entities and individuals	892,785	825,816	66,969	8.1%	10%-12%	Not achieved
NPLs/credit exposures	1.2%	1.6%			< 2%	Achieved
Separate profit before tax	11,461	6,194	5,267	85.0%	9,000	Achieved
Consolidated profit before tax	11,781	6,559	5,222	79.6%	9,500	Achieved

(Source: 2018 and 2019 Audited separated and consolidated Financial Statements).

2. Governance and Execution

2.1. Consolidation of senior managerial personnel

Resolution No. 20/NQ-DHDCD dated April 23, 2019 of the Annual General Meeting of Shareholders in 2019 and the term of 2019-2024 has approved members of the Board of Directors of VietinBank for the term of 2019-2024 including:

- 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. Hideaki Takase - Board Member;

- Mr. Hiroshi Yamaguchi - Board Member cum Deputy General Director;

Also at that meeting, Mr. Cat Quang Duong - Board Member and Mr. Phung Khac Ke - Independent Board Member ended their terms for the period of 2014-2019 and they have no longer held the positions since April 23, 2019.

The Board of Directors of VietinBank agreed and unified the governance of the whole system, fulfilling the set objectives and tasks; drastically directing the whole system to stick to the strategic direction to strongly implement business solutions and initiatives towards safe and sustainable growth; synchronously directing operation management, financial management, credit quality management and bad debt handling, in terms of mechanisms and policies as well as important issues of the bank, completing targets of the Restructuring Plan associated with handling bad debts in the 2016-2020 period, creating momentum for comprehensive development in 2020 and the subsequent period.

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

Following the SBV's guidance on the implementation of the restructuring plan associated with handling bad debts at VietinBank in the period of 2016-2020 (Restructuring Plan) according to the contents approved in Decision No. 2337/QĐ-NHNN (Decision 2337), VietinBank's Board of Directors has directed comprehensively the bank's business activities to be performed in closely following the contents, solutions and roadmap of the Restructuring Plan, striving to become one of the large-scale commercial banks with the best operating efficiency of Vietnamese banking system. Immediately upon SBV's approval of the Restructuring Plan, the Board of Directors of VietinBank has issued Resolution No. 456/NQ-HĐQT-NHCT44 (Resolution No. 456) on December 15, 2018; and Decision No. 746/2018/QĐ-HĐQT-NHCT44 (Decision 746) on December 15, 2018, on approval of action plan for implementation of the Restructuring Plan, setting out responsibilities specific to relevant units and individuals for formulation and implementation of the plan as well as mechanism for reporting and monitoring of implementation of the plan.

In 2019, the Board of Directors directed for drastically and effectively implementing the objectives, orientations, solutions and roadmap of the Restructuring Plan in the whole system, specifically as follows:

- (i) Transformed growth model* from the scale-based model to strongly improving service quality, operational efficiency on the basis of an advanced and multi-service banking platform, maintaining a reasonable growth rate; drastically changing business methods from supplying each banking product/service separately toward development and application of overall solution on finance and banking for customers/groups of customers, boosting chain-powered development. Accordingly, the bank has worked for transformation of business activities from the credit-oriented model to promoting diversification of products and services. It also has developed comprehensive banking solutions that meet the needs of the economy in a timely manner, including modern banking and financial solutions for corporate customers, households and individuals, financial institutions, banks, state agencies like the State Treasury, Tax authorities, Customs etc. ... based on modern technologies.

VietinBank has taken the lead in investments into and development of modern and uniformed banking technologies, in technology infrastructures and development of effective solutions and applications; at the same time, ensuring security, safety, privacy and increasing customer

satisfaction. IT has been adopted in business and management activities; improving and streamlining processes, procedures, paperwork; providing optimal support to customers for their access to modern banking services convenience and safety, privacy and good quality, and improved utilities. The bank has also deployed applications of automation for biometrics-powered facial recognition of customers, developing ecosystems for customers as economic entities and individuals, applying artificial intelligence, strongly promoting automation, Big data analytics in business activities, management, for shortened processing time, and improved customer satisfaction. Robotic Process Automation has been applied in credit approval, and undertaking development of virtual assistants to support internal operations.

It has continued to expand correspondent banking relations with foreign financial institutions, promoting access to international financial markets and coordinating with strategic partners to implement business matching programs to promote its trade presence in regional and international markets to increase its services to financial services abroad.

(ii) Strengthened financial capacity: The Board of Directors has directed for strong implementation of solutions for capital increase and improving quality of capital of VietinBank. In 2019, VietinBank proposed the Government and line ministries to approve measures to implement the plan for its charter capital increase and the Government has approved the policy for such capital increase. Currently, the Ministry of Finance and the SBV are coordinating to submit to the Government for approval of the plan for VietinBank's capital increase. VietinBank has also increased its tier - 2 capital by issuing subordinated bonds. In 2019, VietinBank issued VND 5,550 billion of subordinated bonds; selling its portfolio of subordinated bonds issued by other CIs; divesting, lowering its shareholding percentage in companies with VietinBank's equity investment.

(iii) Improved quality of control, compliance function and quality of assets: Such areas have been focused and strengthened in accordance with the provisions of Circular No. 13/2018/TT-NHNN dated May 18, 2018 and in line with common norms. In 2019, the Board of Directors established Legal & Compliance Division toward a standardized and consolidated function of control, and 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 corrective measures. The performance on control function and assets quality improvement have been implemented radically in 2019, under applied measures, focusing on dealing with bad debts, reducing VietinBank's bad debt as of the end of 2019 to a significant rate. The ratio of bad debt to total credit exposure of VietinBank in 2019 was below 2%, the ratio of bad debt coverage was at a high rate of 120%. The bank has eventually reduced the proportion of assets with high risk weight, optimizing efficiency of equity capital; implementing measures of control over newly recorded bad debts, improving the effectiveness of credit risk management and solutions to bad debts, handling written-off debts, debts sold to VAMC, and debts with potential risk.

(iv) Improved efficiency of equity investment: VietinBank has built and implemented 6 solutions, namely: (i) Strictly and comprehensively supervising the activities of subsidiaries and associated companies; (ii) Strengthening financial capacity, expanding business lines of subsidiaries; (iii) Promoting cross-selling activities of subsidiaries and joint ventures with customers of VietinBank; (iv) Enhancing the management of investment portfolio of subsidiaries, associated companies and units with VietinBank's equity investment; (v)

Restructuring investment portfolio, divesting from non-core businesses through share sales on the trading floor, ensuring investment efficiency; (vi) Consolidating the management of data and information on performance of subsidiaries, associated companies and units with VietinBank's equity investment. VietinBank has implemented the above solutions in accordance with the set-out schedule, and performed divestment from a number of subsidiaries and continues to implement the divestment roadmap in 2020.

- (v) ***Strengthened efficiency and effectiveness of organizational structure and business model; optimizing operation of units in the network and synchronously deploying measures for restructuring of resources, improving labor productivity:*** In 2019 VietinBank has consolidated and restructured its organizational model toward streamlined number of focal points, specialization by functions, for better coordination, customer-centrism, operational efficiency and relevance to business strategy. Divisions/Departments/Units are consistently arranged vertically from the Head Office to Branches in order to improve governance, risk management, business specialization toward state of the art model of operation in the world's leading banks. In 2019, VietinBank established the Customer Center in the South to exploit the potential of the local areas, to strongly promote and make break-through in business activities in the Southern key economic region. The bank has also established Legal & Compliance Division, consolidated Risk Management Division's model, Finance Division's model, streamlined Retail Banking Division's model, consolidated the Contact Center's model and currently are working on development of the Transaction Banking Center's model. The bank has successfully consolidated its advisory and assisting bodies of the bank's Communist Party Committee under units with similar functions and duties.

VietinBank has reviewed and revisited its planning of the network of transaction offices across the bank in order to promote business performance and enhance risk management. VietinBank has taken the lead as the pioneer bank in proposing to the SBV for restructuring and reorganization of network units in the direction of efficiency, practicality in better service of the economy. At the same time, the bank has strongly developed new distribution channels based on modern, safe and convenient technologies, in accordance with the development trend, improving the operation of traditional distribution channels, meeting market requirements.

VietinBank has consistently deployed solutions to improve the efficiency of using resources, promoting labor productivity, streamlining organizational structure and labor force in general support operations; increased automation; focusing on developing high-quality workforce for the core operations; improving staff capacity and integrity through providing training and job rotation of managerial staff, promoting their capabilities and skills on leadership, management, and governance; proactively in identifying and training, fostering and appointing talented staff (Top 500).

- (vi) ***Enhanced capabilities in management, governance and promoting transparency in business performance:*** VietinBank has developed a model of the Office of the Board of Directors to directly assist the Board of Directors in performance of governance. The governance role of the Board of Directors, the executive role of the Board of Management; and the oversight role of the Supervisory Board have been clearly institutionalized. The Board of Directors has directed for disclosure of information on business strategy, ownership, financial situation, management structure, risk management and corporate governance with

openness, transparency and accuracy in accordance with the law and with international practices. Business plans, and strategies in the medium and long term have been formulated. Modernizing the technology system, enhancing the application of information technology in management; and standardization of terms and standards for key job posts have been delivered. VietinBank has fully met the requirements of Basel II standards on the governance structure, processes and procedures on internal control and information technology systems. VietinBank shall fully meet the requirements of Basel II standards upon the Government's approval of capital increase and charter capital increase.

(vii) Improved efficiency and operational capacity of the internal audit and control function: continued to modernize the support system for inspection and supervision; improving methods of inspection and auditing; training toward better knowledge, inspection and audit skills. The internal inspection and control activities have been carried out effectively in line with orientation for the bank's restructuring and the business development associated with safety and efficiency. Internal audit activities have been focused in key areas of operations of the bank, associated with key geographical areas and branches in the system. The causes of shortcomings, limitations and potential risks have been identified for proposing specific recommendations on guidance for corrective measures for improvement in contributing to ensure the sustainable development of VietinBank.

(viii) Improved efficiency of financial management and cost management: Financial management has been improved with better allocation of financial resources in a professional and effective manner, in planning, allocation, evaluation, oversight, monitoring of implementation. The bank has regularly communicated its orientations on operating expenses to units throughout the system; building measures to strictly manage operating costs; at the same time, performing review for amendment to internal documents of regulation on standardization of planning and delivery of operating expenses of the whole system. The cost to income ratio is controlled at 38.8%, lower than those in previous years.

(ix) Strictly managed 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.

II. ORIENTATION FOR DEVELOPMENT IN 2020

Since early 2020, the global economy has been negatively affected by Corona Virus (Covid-19 pandemic), causing standstills in production, disruption in supply chains and contractions in trade and investments. Given Vietnam's increasingly deep integration into the global supply chains and its relatively high economic opening, the Vietnamese economy has been significantly affected by the Covid-19 pandemic. A number of its economic sectors/industries, especially aviation, transport, tourism, services, trade, and businesses in export and import have been hard hit.

In that context, overall business activities of commercial banks have yet to overcome many challenges due to the economic struggles. Therefore, in order to ensure its business continuity, for its timely supply of capital and banking services in meeting demand of the economy, right from the first months of the year, VietinBank has developed action plans in response to respective scenarios of the disease and for vigorous recovery of business operations immediately upon the end of the pandemic.

VietinBank's Board of Directors has directed for effective implementation of measures to support customers and groups of customers, launching credit programs with favorable lending rates

as well as sharply reducing service fees to support the Bank's customers. Taking such measures has been adversely affecting VietinBank's business results in 2020 to some extents, however, the impacts should be temporary. So far, Vietnam has been able to basically contain the disease; enterprises and people have started to promote their businesses. As a developing country with high economic growth rate compared to other countries in the region, the demand for capital for economic development is constantly increasing. Besides, as young population is now adapting more and more quickly to modern banking and financial products, hi-tech applications, in the medium and long term, there is much room for development for Vietnam's banking industry in general and VietinBank in particular. 2020 is a year of significance as the final year of the roadmap for implementing the restructuring plan associated with handling bad debts of VietinBank. In order for accomplishment of goals and tasks set out for 2020, VietinBank needs to continue to be innovative, creative and to optimize market opportunities on the basis of closely following the orientation and direction of the Government and the SBV, toward effectively implementing the following key tasks:

- (i) Implementing comprehensively the tasks set out in the Restructuring Plan associated with dealing with bad debts for the period of 2016-2020 of VietinBank, improving profitability, and strengthening business restructuring, customer base, focus on managing the quality of growth, controlling the NPL ratio below 2% by the end of 2020. Continuing to follow up on the outcome of the application for charter capital increase, maximizing measures to increase capital, such as accumulated profits, stock dividend payout, new channels to be proposed for raising capital, issuance of subordinated bonds, improving efficiency of equity investment, controlling RWAs to ease the pressure on equity capital increase. VietinBank will adopt Basel II as soon as the capital increase is approved.
- (ii) Completing the development strategy of VietinBank toward 2030 and the medium-term business plan of 2021 - 2023 with a number of key orientations: intensive development, growth associated with strongly improved efficiency, restructuring of credit portfolio, increasing the proportion of SME and retail customer segments, diversifying revenue structure, effective financial management, and cost-effectiveness of capital;
- (iii) Strongly transforming the growth model, toward a reasonable growth rate of business scale and strong shift in business structure, and radical improvement of quality and efficiency of business. Deploying disruptive business solutions, developing supply chains toward pragmatism, strictness and efficiency; providing overall financial service solutions for each customers/groups of customers, developing advanced products and services on the basis of state-of-the-art technology platform, especially in payment banking services.
- (iv) Continuing to consolidate the organizational model, performing review for improving the operational efficiency of the entire system, and improving the operational efficiency of network units and promoting the effective exploitation of key economic areas of the country. Exploiting effectively all industries and sectors in closely following the development strategy of VietinBank by industry and economic region.
- (v) Improving the quality of risk management, quality of growth, effectiveness, efficiency of internal control and inspection activities; promoting recovery of written-off debt, bad debts, and debt sold to VAMC, improving asset quality.

Main business targets in 2020 are as follows:

Indicators	2020 targets
Credit exposure	Growth rates of 4% - 8.5%*
Funds mobilized from economic entities & residents	Growth rates, in a range of 5% - 10%, to be in relevance with use of funds and in harmony with credit growth rates
Ratio of NPLs to credit exposure	≤ 2%
Consolidated profit before tax	To ensure business efficiency and improve business operations, in constant response to developments and impacts of Covid-19 pandemic for projection of targets on profit based on the approval of the competent authorities.
Dividend	To retain the full amount of the remaining profit after tax and funds appropriation as regulated or make stock dividend payment to raise capital increase to meet requirements for the bank's business development. Specific plan on dividend payout shall be subject to decision-making of competent authorities.
Capital adequacy ratio (CAR)	In compliance with regulations of SBV
Liquidity Coverage Ratio	
Ratio of short-term funds used for medium and long-term loans	
Loan to deposit ratio (LDR)	

* *The credit growth rate cap as the currently assigned by the SBV is 8.5%.*

The aforementioned targets have been submitted by VietinBank to the competent State agencies and now are pending for their review. Based on the opinions, directions and approval of the competent state agencies, the market developments and actual business operation of VietinBank, we propose the GMS to authorize the Board of Directors of VietinBank to make decisions on final business targets in 2020, and perform disclosures of information on the website of VietinBank.

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 promote the achieved results, making the most of every opportunity, working in solidarity to overcome challenges, sparing no efforts and focusing 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.

FOR THE BOARD OF DIRECTORS

CHAIRMAN

(signed and sealed)

Le Duc Tho