

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

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

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Hanoi, April 26th 2024

Business Registration Certificate No. 0100111948
13th revision dated January 8th 2024

PROPOSAL

**APPROVAL OF THE PLAN FOR RESTRUCTURING IN ASSOCIATION WITH BAD DEBTS
RECOVERY OF VIETNAM JSC BANK FOR INDUSTRY AND TRADE
IN THE PERIOD FROM 2021 TO 2025**

**To: The General Meeting of Shareholders of Vietnam Joint Stock Commercial Bank for
Industry and Trade**

Pursuant to Decision 689/QĐ-TTg dated June 8, 2022 on Approval of the Plan for "Restructuring the system of credit institutions in association with bad debts recovery in the period from 2021 to 2025";

Pursuant to Decision No. 1382/QĐ-NHNN dated August 2, 2022 of the State Bank of Vietnam regarding the Action Plan of the Banking sector in implementation of the Plan for "Restructuring the system of credit institutions in association with bad debts recovery in the period from 2021 to 2025";

Pursuant to Official Letter No.1151/NHNN-TTGSNH dated December 15, 2022 by the State Bank of Vietnam (SBV) on Developing the Plan for restructuring credit institutions in association with bad debts recovery;

Pursuant to Official Letter No.908/NHNN-TTGS dated December 5, 2023 by the SBV regarding Comments on the development of the Plan for restructuring credit institutions in association with bad debt recovery;

Pursuant to the Charter on Organization and Operation of Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank);

The Board of Directors of VietinBank would like to seek approval from the Annual General Meeting of Shareholders (AGM) for the content of the Plan for restructuring in association with bad debts recovery of Vietnam Joint Stock Commercial Bank for Industry and Trade in the period from 2021 to 2025, specifically as follows:

1. Assigning the Board of Directors of VietinBank to:
 - (i) Develop, approve and carry out of detailed solutions based on the Plan for restructuring in association with bad debts recovery of Vietnam Joint Stock Commercial Bank for Industry and Trade for the period from 2021 to 2025 as approved by the AGM;
 - (ii) Approve the adjustments to the Plan for restructuring in association with bad debts recovery of Vietnam Joint Stock Commercial Bank for Industry and Trade for the

period from 2021 to 2025 in accordance with the situation and at the request (if any) of the competent state agencies (if any) .

Looking forward to the approval of the General Meeting of Shareholders.

**PP. THE BOARD OF DIRECTORS
CHAIRMAN**

Trần Minh Bình

**RESTRUCTURING PLAN IN ASSOCIATION WITH BAD DEBTS
RECOVERY OF VIETNAM JOINT STOCK COMMERCIAL
BANK FOR INDUSTRY AND TRADE
2021-2025 PERIOD**

FOREWORD

VietinBank, formerly known as Vietnam Specialized Bank for Industry and Trade rooted from Department of Industrial Credit and Department of Commercial Credit of the State Bank of Vietnam, was transformed into a state-owned bank named Industrial and Commercial Bank of Vietnam under Decision No. 402/HDBT of the Council of Ministers dated November 14, 1990. In 2008, VietinBank successfully equitized and changed its name to VietinBank JSC Bank for Industry and Trade. VietinBank is the first State-owned Commercial Joint Stock Bank having a foreign shareholder (IFC) after its IPO. Since 2013, VietinBank has been cooperating with its foreign strategic shareholder - BTMU (now MUFG Bank) to improve financial capacity, dominate the market and sustainably grow its business.

During the past time, VietinBank has built up and affirmed its role and position as one of the leading commercial banks in the banking sector, effectively contributing to the development of the nation; and awarded by the Party, State and people with many emulation titles, noble rewards and other medals. In addition to the achievements, VietinBank also faces significant challenges from competition with domestic and foreign banks, rapid changes in the business environment associated with the 4th industrial revolution, unpredictable developments of the epidemic which have a great impact on economic and social life global-wide,...

Following the orientations of the SBV and regulatory agencies, VietinBank has successfully developed and implemented a restructuring scheme associated with bad debt handling for the 2016-2020 period, focusing on promoting business activities and implementing a long-term development strategy methodically and seriously, associated with the development of VietinBank's corporate culture, in which VietinBank has focused on assessing the current situation, developing measures to handle and overcome problem and short-comings in its business activities, proactively implementing many solutions to improve capital base, ensuring capital adequacy ratio in compliance with regulations and operating orientations of regulatory agencies, controlling and improving asset quality, especially credit quality, reducing bad debts, strengthening measures to recover overdue debts and bad debts, implementing solutions to improve equity investments, investing in and developing a multi-service business model, strengthening the operation of the internal audit and internal control systems, ensuring compliance in the operation of the Bank...

Facing with increasing challenges and requirements for socio-economic development and the banking industry following the guidelines of the Party and State in the process of country's deeper international integration, VietinBank determined that it is necessary to take initiatives in orienting the medium and long term development plan on the basis of promoting the potential and advantages of the Bank, making the most of its internal resources, and aligning the Bank's growth with key economic sectors, key economic regions and key economic regions of the country, actively participating in the integration process, strengthening the ability to analyze and forecast to promptly grasp fluctuations of the business environment, taking advantage of market opportunities, overcoming difficulties and challenges to continue to improve the quality and efficiency of sustainable growth.

I. Delivery results of the plan for restructuring in association with bad debts recovery in the 2016-2020 period

1. Evaluation of the achievements

During 2016-2021 period, VietinBank always adhered to the objectives, orientations and solutions of the restructuring plan approved by the SBV, considering it as a guideline in its operations. VietinBank's senior management has closely directed relevant units to well perform the set tasks and plans to ensure that the restructuring process was implemented uniformly and synchronously from the BoD, the BoM to front-office units, departments and offices and flexibly applied solutions would bring about overall efficiency for the system.

VietinBank has made great efforts to promote innovation, comprehensively restructure its operations in the direction of drastically transforming growth models, rapidly shifting income structure, implementing a customer-centric strategy, and changing competitive approach towards focusing on developing modern and comprehensive banking and financial solutions, improving consulting capacity, meeting the financial needs of customers to the fullest extent, etc.

Thanks to the restructuring process under the plan for the 2016-2020 period, VietinBank has made positive, tremendous changes compared to the time before the restructuring, the Bank's business activities improved with expanded market share, improved profits. The Bank was able to control asset quality and curb bad debt ratio at an acceptable level, completed the plans assigned by the SBV and GMS across the years, specifically:

- **Total assets** as of December 31, 2021 reached more than VND 1.5 quadrillion, an average increase of 8.8% per year in the period of 2016-2021. VietinBank continues to be one of the leading commercial banks in terms of asset size.
- **Credit exposure** increased by an average of 10.1% per year in the period of 2016-2021. On the basis of promoting its role as one of the pillar state-owned commercial banks of the economy, VietinBank has actively managed assets and liabilities and funded production and business needs of the people and businesses. In particular, VietinBank has played an active role in allocating its funds to finance production and business, "green" credit, priority areas under the direction of the Government and the Prime Minister; projects with post-epidemic resilience; essential sectors of the economy; at the same time, the Bank also set priority in sparing its funds to support people and businesses to serve production and business activities and overcome Covid-19 epidemic-induced difficulties.
- **Total mobilized funds** increased by an average of 8.8%/year in the period of 2016-2021. With the reputation of being a large state-owned commercial bank, operating safely and effectively for many years, VietinBank has optimized access to and mobilization of interbank funds, taking advantages of the funding sources from domestic credit institutions and making the most of the foreign loan limit to serve credit growth, ensure the bank's liquidity safety and comply with the regulations of the SBV.

- **Total operating income** increased by an average of 16.7%/year in the period of 2016-2021, focusing on the growth of non-interest income, promoting service fees and foreign currency trading through ecosystem exploitation and rendering comprehensive financial solutions to customers; strengthening the recovery of bad debts and written-off debts.

VietinBank has actively provided its support by way of exemption/reduction of many service fees for customers affected by the Covid-19 epidemic such as exemption/reduction of fees for international payments and trade finance for corporate customers operating in the field of supplying pharmaceuticals, medical equipment and supplies; waiving fees for payment transactions within VietinBank and with other banks on iPay mobile application for individual customers; exemption/reduction of the state budget payment fee... to help customers save costs, maintain and restore their production and business activities.

In addition, during the recent time, VietinBank has paid efforts in aggressively improving products and services with high technology content and improving customer service quality by updating digital transformation trends, continuously investing in upgrading security solutions and adding new features on internet banking applications; constantly improving products and services, modernizing and diversifying products and services to meet customers' needs...

- **Separate profit before tax** has improved over the years, reaching nearly 16.9 trillion VND in 2021, an average growth of 21.4% per year in the period 2016-2021. P&L indicators continue to improve, ROE reached 15.8% in 2021. VietinBank has always complied with the provisions of law in paying and fulfilling its obligations to the State Budget, bringing about great value and ensuring benefits to shareholders, investors, customers and the life of employees, making practical contributions to the socio-economic development of the country.
- **The NPL ratio** was controlled within the limit allowed by the SBV. VietinBank always focuses on bad debt handling through many measures such as: actively urging and negotiating with customers on debt recovery schemes; coordinating with authorities to speed up the progress of lawsuits, judgment enforcement, etc.
- **Raising capital and improving the quality of the Bank's capital**

During the 2016-2021 period, VietinBank's Board of Directors gave directions for aggressive implementation of solutions to increase capital and improve the quality of VietinBank's capital. Accordingly, VietinBank has actively developed and implemented a roadmap to increase own capital and submitted it to the competent authorities for approval right after the Government issued Decree 121/2020/ND-CP amending the Decree. 91/2015/ND-CP (October 9, 2020) which set the legal ground to allow commercial banks where the State holds more than 50% of charter capital to increase capital through issuing shares to pay dividends. In July 2021, VietinBank completed the increase of charter capital from 37,234 billion VND to 48,058 billion VND through the plan of issuing shares to pay dividends from the remaining amount of profit after tax, fund appropriation and cash dividend payments in 2017 - 2019 at a ratio of 29.07%. The Bank is currently among banks having high charter capital in the banking sector. The increase in charter capital has created a premise for VietinBank to improve its financial capacity, continue to expand its business activities, and enhance its ability to supply capital to the economy; ensure capital adequacy ratios, improve risk management capacity, and create sustainable growth momentum of VietinBank. At the same time, with such capital base, VietinBank can actively build up its position and potential, invest in facilities, modern technology infrastructure, develop services, and strengthen the network, contributing to increased benefits for customers, promoting the country's socio-economic development as well as enhancing value for shareholders.

2. Limitations , existence, difficulties

- **Regarding the capital raising:** The State's shareholding percentage, the foreign investor's ownership ratio have reached the prescribed limits. The plan for increasing VietinBank's own capital base is almost only reliant on self-accumulation of profits, thus posing great challenges for VietinBank in improving financial capacity and unleashing sustainable growth potential in the coming years.
- **Regarding risk management:** Fraud risks, especially external risks, continue to increase in the direction of high technology, making risk identification difficult. Therefore, in order to identify, control, prevent and reduce risks, and comprehensively control the portfolio, it is necessary to promote the effectiveness of risk management at each of the three lines of defense.
- **Regarding bad debt handling:** VietinBank's handling of collateral for debt recovery encounters many difficulties, mainly:
 - + The legal regulations on handling bad debts in general and the handling of collateral of bad debts in particular are still inadequate and overlapping, and have not created a clear legal corridor for banks to handle bad debts and collateral assets of bad debts. Currently, Resolution 42 of the National Assembly, effective from 15/08/2017, has partially removed difficulties and obstacles due to the inadequacies of current legal regulations, but there are still many obstacles and problems, such as:
 - The simplified procedure specified in Article 8 of Resolution 42 is only applicable to the settlement of disputes over the obligation to deliver collateral or disputes over the credit institution's right to handle collateral assets of bad

debts without specifying the application of simplified procedures for the settlement of disputes about credit contracts between credit institutions and borrowers, while the vast majority of disputes brought to court by credit institutions are disputes over credit contracts. Therefore, this provision has not created a legal basis for the Court to apply the simplified procedures widely when a credit institution initiates a lawsuit or requests the Court to settle the credit contract dispute in order to recover the debt.

- Regarding the determination of payment priority from the sale of collateral:

According to Article 12, Article 15 of Resolution 42, the proceeds from the disposal of collateral assets of bad debts, after deducting costs of preservation, seizure and disposal of collaterals, are prioritized for payment of secured debt obligations for the credit institution before performing the tax or other obligations unsecured by the guarantor. The guarantor and the transferee are not required to fulfill the tax and other fee obligations of the guarantor from the proceeds from collateral transfer when carrying out the procedures for registration, change of ownership or right to use the collateral.

However, according to the provisions of tax law and land law: when generating income from the transfer of movable assets being real estate, individuals must pay tax. Real estate management agencies only carry out procedures for transferring ownership and right to use real estate when they have proof of personal income tax payment or tax authorities' certification of tax exempted and temporarily tax suspended income from the transfer of real estate. In addition, the tax law also does not provide for the exemption or reduction or temporary suspension of payment of PIT for cases of handling collateral when applying Resolution 42, while Resolution 42 is silent on the real estate management agencies carrying out procedures for the transfer of ownership and right to use real estate in case of failure to fulfill the PIT obligation for real estate transfer.

- + Most of the bad debt borrowers are uncooperative in handling collateral to repay loans. Therefore, in order to handle collateral, VietinBank is required to initiate a lawsuit against customers to the Court and request the judgment enforcement agency to handle collateral according to the Court's decision, which prolongs the process of handling collateral.
- + The progress of debt settlement and recovery through the courts and judgment enforcement is still very slow. The timeframe for settling cases resolved by the courts is often prolonged (from 12 to 18 months, even years of pending), violating the time limit for settling cases as prescribed by the Civil Procedure Code. In many places, the number of pending civil cases of the civil judgment enforcement agencies is quite large, the number of applications is huge, the human resources of the civil judgment enforcement agencies fall short, some judgment enforcement agencies are determined and lack responsibilities, leading to very slow execution of the judgments.

- + The handling of bad debts of credit institutions over the recent time has received the support and attention of the authorities at all levels and relevant agencies but has not been satisfactory for credit institutions to remove difficulties when recovering, handling collateral assets in provinces.
- **Regarding automatic approval flow for loans by electronic mean:** Currently, Circular 39/2016/CIRCULAR -NHNN (Cir. 39) has not mentioned or provided for specific regulations on loan approval via electronic means. Therefore, the legal framework for the implementation of lending activities, especially loan approval via electronic means is not completed.
- **Regarding the implementation of lending products through electronic mean:** Currently, the Law on Electronic Transactions is being revised and to ensure compliance with regulations, the implementation of using digital signatures in online loan transactions has encountered certain difficulties (form of digital signature used in online transactions, connection with digital signature validators, costs incurred for customers, the flow for digital signature approval to perform online lending transactions).

3. Lessons learned / ways to overcome the difficulties and shortcomings

- Proposing the competent authority to allow us to retain all after-tax profits, after fund appropriation to increase Tier 1 capital, continuing to issue subordinated bonds, controlling the RWA portfolio to improve capital adequacy ratio and improving financial capacity.
- VietinBank's plan on restructuring in association with bad debt handling for the period 2016-2020 was developed for a period of 5 years, while the market situation changes very quickly with complexity, leading to a number of contents/solutions mentioned in the Plan no longer consistent with the actual developments and updated business orientations of VietinBank. Therefore, it is proposed that the competent State agencies approve the plan on restructuring in association with bad debt handling of VietinBank in the period of 2021-2025 in a flexible manner, in which the objectives of the 2021-2025 period stated in the project are the forward-looking objectives while the specific targets will be implemented according to the approval of the competent State agencies in the annual plans.

II. Purpose and legal basis of developing a plan for restructuring in association with bad debts recovery in the 2021 – 2025 period

1. Legal background for development of VietinBank’s restructuring plan for the period of 2021 - 2025

- Pursuant to the 2010 Law on Credit Institutions No. 47/2010/QH12, revised in 2017;
- Pursuant to Resolution 42/2017/QH14 of the National Assembly on piloting bad debt handling of credit institutions;
- Pursuant to Directive 06/CT-NHNN dated 20/7/2017 of the SBV on implementation of Resolution No. 42/2017/QH14 and Decision No. 1058/QD-TTg dated July 19, 2017;
- Pursuant to the Decision No. 1604/QD-NHNN dated August 7, 2018 of the Governor of the SBV on the approval of the green bank development project in Vietnam;
- Pursuant to the Decision No. 2655/QD-NHNN dated December 26, 2019 of the Governor of the SBV of Vietnam approving the Strategy for Information Technology Development of Vietnam's banking sector to 2025, with orientation towards 2030 ;
- Pursuant to the Decision No. 810/QD-NHNN dated 11/5/2021 of the Governor of the SBV on approving the Plan on digital transformation of the banking sector towards 2025, with orientation towards 2030;
- Pursuant to Decision No. 1658/QD-TTg dated October 1, 2021 of the Prime Minister approving the National strategy on green growth for the 2021-2030 period, with a vision towards 2050;
- Pursuant to Official Letter No. 836/NHNN-TTGSNH dated February 21, 2022 of the SBV on the Scheme/Plan for restructuring credit institutions in association with bad debt handling;
- Pursuant to Official Dispatch No. 1976/NHNN-TTGSNH of the State Bank of Vietnam dated April 4, 2022 on a number of issues in the operation of credit institutions, financial institutions;
- Pursuant to Decision No. 689/QD-TTg dated June 8, 2022 of the Prime Minister approving the “Project for restructuring the credit institutions system in association with bad debt handling in the period of 2021-2025”;
- Pursuant to Decision No. 1382/QD-NHNN dated August 2, 2022 of the SBV on the Action Plan of the Banking sector to implement the “Project for restructuring the credit institutions system in association with bad debt handling in the period of 2021-2022”;
- Pursuant to Official Letter No. 1151/NHNN-TTGSNH dated December 15, 2022 of the SBV, on formulating a plan for restructuring credit institutions in association with bad debt handling;
- Pursuant to Official Dispatch No. 908/NHNN-TTGS dated December 5, 2023 of the State Bank regarding comments on developing a plan to restructure credit institutions associated with bad debt handling.

2. Principles for development of a plan for restructuring in association with bad debts recovery of Vietnam Joint Stock Commercial Bank for Industry and Trade for the 2021 – 2025 period

- Orienting business activities in alignment with the guidelines of the Party and Government and the instructions of the SBV from time to time; solutions are to be

supported with roadmap suitable to the reality of VietinBank 's business operations and highly feasible; Prioritizing breakthrough solutions in each stage to ensure the concentration of resources in the process of effective implementation.

- Complying with the law, strictly abiding by the mechanisms and policies of the SBV from time to time, contributing to economic growth, controlling inflation, and stabilizing the macro-economy.
- VietinBank 's restructuring plan for the 2021-2025 period inherits the process of restructuring and handling bad debts of the previous period, ensuring compliance with VietinBank's strategic development orientation to 2025, vision to 2030 and closely follows the guidelines, orientations and directions of the Government in Decision No. 689/QD-TTg dated June 8, 2022, directions of the SBV at Decision No. 1382/QD-NHNN dated August 2, 2022, Official Dispatch No. 1151/NHNN-CQTTGSNH dated December 15, 2022 and related documents.
- Implementing comprehensive restructure of the Bank's operations, overcoming limitations and shortcomings mentioned in inspection and examination conclusions according to the forms, measures and roadmaps appropriate with the specific characteristics of VietinBank, with the principle of prudence, safety, balance and harmonization of interests between VietinBank and customers, shareholders and employees, ensuring performance of tax obligations to the State, contributing the Bank's part in maintaining the soundness and stability of the whole banking system and meeting the requirements of economic integration and in accordance with international practices. VietinBank's restructuring plan for the 2021-2025 period is built on the basis of current regulatory documents and assumptions of no material changes to relevant policies during the implementation of the Restructuring Plan VietinBank in the 2021-2025 period.

III. Evaluation of the as is operations

1. Some financial indicators

On the basis of the strong recovery of Vietnam's economy in 2022, VietinBank has actively implemented business solutions in a synchronous manner, taking the lead in implementing policies and orientations of the Party and State, proactively optimizing cost efficiency and well managing asset quality, facilitating credit growth and modern banking products and services to meet the needs of the economy. As a result, VietinBank's business performance as of December 31, 2022 has achieved positive results with total assets reaching VND 1.8 quadrillion, an increase of 18.3% compared to 2021; Outstanding loans to the economy continued to grow, reaching VND 1.3 quadrillion, up 12.9% compared to 2021; Deposits from customers grew in line with the growth rate of outstanding loans; The indicators on bad debt ratio, liquidity ratio, capital adequacy ratio comply with regulations of the SBV; P&L indicators continue to be maintained, ensuring the interests of shareholders and supporting development of VietinBank.

2. Organization of governance and management

2.1. Operation license

Ngân hàng TMCP Công thương Việt Nam (hereinafter referred to as “the Bank”), with its international transaction name in English of Vietnam Joint Stock Commercial Bank for Industry and Trade (hereinafter referred to as “VietinBank”) is a joint stock commercial bank established and registered in the Socialist Republic of Vietnam.

The Bank was established on the basis of the equitization of Vietnam Bank for Industry and Trade, a state-owned commercial bank established under the name of Vietnam Specialized Bank for Industry and Trade under Decree No. 53/ND-HDBT dated March 26, 1988 of the Council of Ministers on the organization of the State Bank of Vietnam. It was officially renamed as Industrial and Commercial Bank of Vietnam according to Decision No. 402/CT dated November 14, 1990 of the Chairman of the Council of Ministers and was signed by the Governor of the State Bank Decision No. 285/QĐ-NH5 dated September 21, 1996 to re-establish in the model of a State corporation. On December 25, 2008, Vietnam Bank for Industry and Trade successfully conducted the initial public offering of shares.

On July 3, 2009, the Bank was equitized and renamed as Vietnam JSC Bank for Industry and Trade under the Establishment and Operation License No. 142/GP-NHNN dated July 3, 2009 on Establishment and Operation of a Joint Stock Commercial Bank (operating term is 99 years) and Business Registration Certificate No. 0103038874 dated July 3, 2009 of Hanoi Department of Planning and Investment. The latest Business Registration Certificate No. 0100111948, revised for the twelfth time, was issued by the Hanoi Department of Planning and Investment on September 8, 2021. On June 17, 2022, the SBV granted the establishment and operation license No. 13/GP-NHNN to renew and replace the Establishment and Operation License No. 142/GP-NHNN dated July 3, 2009 and the Decisions amending and supplementing the License of the Bank from 2017 to 2021.

The Bank was established to carry out banking activities under the Establishment and Operation License and the Business Registration Certificate, including taking demand deposits, term deposits, savings deposits and other types of deposits; credit extension; opening payment accounts for customers; providing domestic payment services; opening current accounts; organizing internal payments, participating in the national interbank payment systems; cash management services, banking and financial consulting; assets management, safe-box renting; participating in bidding, buying and selling Treasury bills, negotiable instruments, Government bonds, SBV bills and other valuable papers on the money market; buying and selling government bonds and corporate bonds; issuing certificates of deposit, promissory notes, bills, and bonds to raise capital in accordance with the Law on Credit Institutions, the Law on Securities, the Government's regulations and the SBV's guidance; borrowing funds from the SBV in the form of refinancing according to the provisions of the Law on the State Bank of Vietnam and the guidance of the SBV; borrowing, lending, depositing and receiving funds from credit institutions, foreign bank branches, domestic and foreign financial institutions according to the

provisions of law and guidance of the SBV; capital contribution, shares purchase in accordance with the law and the guidance of the SBV; entrusting, receiving entrustment, acting as an agent in the fields related to banking activities, insurance business, and asset management in accordance with the law and the guidance of the State Bank of Vietnam; trading and providing foreign exchange services on the domestic and international markets within the scope prescribed by the SBV; trading and supplying interest rate derivative products; securities depository; trading gold bars; e-wallet; supplying commodity price derivative products; investing in government bond futures contracts.

2.2. Organizational model

VietinBank continues to transform into a simplified and specialized model to improve the efficiency of coordination between units, prevent risks, and create a close connection with the bank's overall business strategy and to stay customer-oriented, at the same time, reviews and evaluates operational efficiency, identifies inadequacies/inappropriateness/ineffectiveness to implement adjustment and consolidation solutions in line with the models of departments, branches and network of transaction points. As of December 31, 2022, the organizational structure of VietinBank includes: (i) 13 business divisions or equivalent units and some other departments/offices at the HO, (ii) A network of branches and transaction offices, (iii) Subsidiary companies and subsidiary banks. In parallel with operating the organizational structure model, VietinBank continues to research, review and evaluate to transform the model for the remaining departments/offices. Some of the results that model transformation brings about:

- The establishment of Divisions consisting of specialized divisions/departments along the vertical axis from the HO to Branches helps in-depth management according to key functions of banking operations in a consistent manner from policies formation, products to deployment and monitoring and supporting the senior management in quickly and effectively directing and making decisions.
- For business activities: The establishment of 04 Divisions including Corporate Banking Division, Retail Banking Division, Treasury and Markets Division, and Customer Center in the South with specialized departments by each customer segment helps to the Bank takes care and provides intensive services by each type of customers and geographical area and customer segment, improving the quality of services provided to customers as well as promotes the culture of "Customer-centricity".
- For supporting activities: The establishment of key Supporting Divisions such as Finance Division, Risk Management Division, Human Resources Division, IT Division, Procurement and Asset Management Division, Credit Approval Division, Operation Division, Legal & Compliance Division helps support, operate, and manage risks in parallel with business development, ensuring risk management and preparing good foundations for the future breakthroughs.

2.3. Structure and operation of the Board of Directors

- **Board of Directors:** As of December 31, 2022, VietinBank's Board of Directors consists of 10 members, including 01 independent member of the Board of Directors, 02 members nominated by MUFG Bank as a strategic shareholder, 03 members

representing the State capital. The operation of VietinBank's Board of Directors has strictly complied with the provisions of the Law on Credit Institutions, with monthly BOD meetings held to evaluate business results, provide orientations and direction for operations and discuss some contents and topics for management. VietinBank has 03 committees under the Board of Directors, namely Human Resources Committee, Risk Management Committee and Policy Committee. The establishment of the Committees ensures compliance with the regulations of the SBV and the provisions of law. In the past time, the Committees have closely coordinated with the relevant Departments/Offices to effectively carry out their functions and tasks according to the Regulation on organization and operation of each Committee promulgated by the Board of Directors.

- **Board of Management (BoM):** The Board of Management includes the General Director and Deputy General Directors, Chief Accountant, appointed and dismissed by the Board of Directors, subject to the approval by the SBV. The BoM is responsible for managing and directing VietinBank's business activities in accordance with the policies and orientations set forth by the General Meeting of Shareholders and the Board of Directors from time to time; and responsible before the General Meeting of Shareholders and the Board of Directors for the performance of assigned duties. As of December 31, 2022, VietinBank's Board of Management consists of 10 members, including 01 Deputy General Director in charge of BoM, 01 member representing MUFG as a strategic shareholder and 01 Chief Accountant. VietinBank has 04 BoM-level Committees: Credit Committee, Asset and Liability Management Committee, Risk Management Committee, Capital Management Committee.
- **Supervisory Board:** The Supervisory Board is the body acting on behalf of the shareholders to supervise the operation and compliance with the provisions of law and VietinBank's charter in the management and governance of VietinBank; taking responsibility before law and the General Meeting of Shareholders for the exercise of their assigned rights and duties. In the course of performing its duties, the Supervisory Board is entitled to perform its rights in accordance with the law and VietinBank's charter. The Supervisory Board consists of 3 members (1 head and 2 members of the Supervisory Board) with the role of performing internal audit, controlling and evaluating the observance of laws, internal regulations, and charter and resolutions and decisions of the General Meeting of Shareholders and the Board of Directors.

2.4. Operational network

The Bank headquartered at 108 Tran Hung Dao, Hoan Kiem district, Hanoi, Vietnam. As at 31 December 2022, the Bank has one (01) Head Office; two (02) domestic representative offices (representative office in Da Nang and representative office in Ho Chi Minh City) and one (01) foreign representative office in Myanmar; eight (08) non-business units including: one (01) Human resource training and development school, one (01) Card Center, one (01) Trade Finance Center; five (05) Cash management centers; one hundred and fifty seven (157) branches (of which there are two (02) branches in foreign countries); 01 subsidiary bank in Laos.

2.5. Governance & Management

VietinBank provides for the responsibilities before the law of members of the Board of Directors, Board of Management, Supervisory Board, and Internal Audit in the Charter on Organization and Operation, Regulation on Internal Governance, Regulation on Organization and Operation of the BoD, Regulation on Organization and Operation of the Supervisory Board, Regulation on Organization and Operation of the BoM. They are the most important legal ground of VietinBank that stipulate the operation, management, rights, responsibilities and obligations that members of the Board of Directors, Board of Management, Supervisory Board, and Internal Audit must adhere to. In addition, in internal regulations (regulations, statutes, processes) in each field such as credit, financial management, asset procurement, investment, capital construction..., VietinBank all regulates the delegation and defines the rights and responsibilities, for clear lines between the BoD, the BoM and other units in the system in order to improve the effectiveness and efficiency of the apparatus, and to be clear on rights, responsibilities of each level, ensuring that there is an approval and control mechanism in accordance with regulations of the law and the SBV, and at the same time promoting the initiative and creativity of each level and each unit.

In addition, the rights, responsibilities and obligations of each member of the BoD, BoM and the Supervisory Board are specified in the documents on assignment of tasks of the BoD, BoM and the Supervisory Board. This assignment of tasks is regularly reviewed, revised to ensure it is consistent with the reality of VietinBank's business operations.

VietinBank focuses on the ability to balance risk management and business development and business ethics in business activities and staff capacity, in which: "Integrity" is one of the five core competencies of business ethics for employees of the entire VietinBank system and "Balance of risk management and development" is one of the four required competencies for middle and senior leaders.

At VietinBank, the Policy Committee is the body that advises and assists the Board of Directors in orienting, developing, and supervising the implementation of policy documents. Annually and quarterly, VietinBank conducts a review of legal compliance, compliance with regulations and policies of the SBV and conformity with the operational practices of the main document system to ensure clear determination of responsibilities of each process, each decision-making level.

In addition, VietinBank has deployed 3 independent lines of defense on risk management, complying with Circular 13 in order to control, prevent, detect and promptly handle risks in banking activities; fully implementing 5 components of the internal control system which are supervision by senior managers, internal control, risk management, internal assessment of capital adequacy and internal audit.

3. The implementation/adoption of Basel II/Basel III standards

VietinBank has adopted Basel II - standard approach and is developing a plan to implement Basel II – advanced approach and Basel III implementation roadmap as follows:

Towards the implementation of Basel II, since 2013, VietinBank has conducted a gap analysis and since then developed a roadmap to meet Basel II standards as well as other standards of the Bank for International Settlements (BIS) on risk management as well as general standards on banking governance. On that basis, since 2014, VietinBank has started implementing projects under the Basel II implementation program on the basis of the established roadmap. Up to now, VietinBank has met the standards according to the basic capital calculation method (standard approach), the qualitative requirements on risk management, capital management according to Basel II as well as in the process of preparing to move towards higher practices such as Basel III or regional best practices as oriented by the regulator. Up to now, some of the key results of Basel II implementation at VietinBank have been achieved, including:

- Completed most of Basel II projects/subprojects: 100% of projects have been implemented, of which 96% of projects/phases have been completed. The remaining projects that have not been implemented or are in the research preparation stage are all under internal/advanced approaches that are pending guidance of the regulatory agencies.
- Met Circular 41 and Circular 13: Completed all key projects corresponding to the requirements of (i) Circular 41 providing for capital adequacy ratio for banks and branches of foreign banks and (ii) Circular 13 on internal control system of commercial banks, branches of foreign banks and some other documents/conclusions of meetings.

Accordingly, VietinBank has fully met the conditions under Circular 41 and Basel II standards in terms of governance structure, regulations, internal control process, information technology system, database, and human resources. ... as required by Circular 13. Specifically:

- (i) The model of 3-line of defense was completed and applied by VietinBank right in the third quarter of 2015, completed and upgraded as required by Circular 13, making an important contribution to improving the overall capacity in risk management from Transaction level to the bank-wide management framework, ensuring control over all activities and significant risks of the Bank;
- (ii) (ii) The IT infrastructure was improved and the personnel's awareness of risk management has been raised, thereby the bank-wide data was standardized and the two-way communication between branches and HO in risk management was enhanced
- (iii) (iii) Completed capital calculation methods as prescribed in Circular 41 and international practices, actively researched new risk management methodologies at Pillar 2 on the basis of coordination and exchange of experiences from foreign strategic partners; and
- (iv) (iv) Researched, promulgated or revised regulations, processes, products, documents on guiding the system operation, handled operations in a streamlined manner to ensure compliance with legal regulations and protection of the legitimate rights and interests of customers and the Bank.

4. IT system, implementation of digital transformation, development of digital banking

IT has always been the spearhead and key development strategy of VietinBank. In the 2012-2017 period, VietinBank has focused its resources on implementing key IT projects in order to build a solid technology foundation. Some of the typical projects are the successful replacement of CoreBanking replacement, building a new Enterprise data warehouse system, implementing SOA middle layer system and technology systems for business such as loan origination, credit risk management... Entering the 2018 - present, VietinBank focuses on digitization, with the goal of effectively implementing the bank's digital transformation strategy. Some of the achievements include the following:

- Building a Digital Transformation strategy :
 - + Digitization has been implemented at VietinBank since 2018 with the application of technology in business activities, operations as well as the development of digital distribution channels such as Efast for corporate customers and Ipay for individual customers. The theme of comprehensive digitization of operations is also integrated into VietinBank's strategy, medium-term business plan and annual operation plan.
 - + Right from the beginning of 2022, VietinBank established a Digital Transformation Steering Committee to direct the development and implementation of the Digital Transformation Strategy and Plan for the period 2022-2025, vision to 2030. The Bank is currently implementing the bidding package of hiring a consultant to build an overall Digital Transformation Strategy to accompany VietinBank.
- Building a modern distribution channel:
 - + *Branch channel:*
 - Deploying branch model that allows customers to perform automated and self-service transactions on the basis of digital technology application; application of artificial intelligence (AI) technology;
 - VietinBank has built an automatic queuing system integrated with biometrics and deployed it at 53 branches across the country. The synchronization of biometric data warehouse used for both over-the-counter and electronic transaction channels has helped VietinBank gradually modernize the transaction channel and increase the convenience of facepay utility for customers .
 - + *Digital banking channel:*
 - VietinBank iPay Mobile for individuals is regularly upgraded with many new features, making VietinBank iPay Mobile not only a banking application but also a digital ecosystem, meeting all the needs of customers: from financial services such as opening accounts, cards, savings deposits, loan account transactions, overdrafts, buying foreign currencies to features such as insurance, health care, education, transport, shopping, travelling, etc.
 - The eFast digital banking platform for corporate customers is considered VietinBank eFAST digital financial assistant with more than 130 features, including all banking services being served at the counter (except cash-related

services only), from regular and essential banking services to specialized services tailored to the needs of each business.

- + *Open banking channel:* VietinBank is a pioneer in the application of open banking platform. The Bank has invested in building an open application programming interface (Open API). Accordingly, in addition to providing financial services on channels distributed by VietinBank, VietinBank also provides banking services through third-party applications, such as direct integration with accounting software systems and ERP systems of enterprises.
- + In addition, VietinBank also deploys automation technologies in the lending process, supporting post-check, applying Big Data technology, AI, cloud computing... to streamline and automate business processes, improve labor productivity and service quality offered to customers.

5. Financial situation

5.1. Capital

- **Charter capital and own capital of VietinBank:** As of December 31, 2022, separate own capital of VietinBank reached VND 141,865 billion, of which charter capital reached VND 48,058 billion, among the commercial banks with strongest charter capital base in the banking system.
- **Shareholder structure, share ownership:** As of December 31, 2022, VietinBank's charter capital remained at VND 48,058 billion with the number of listed CTG shares of 4,805,750,609 shares. VietinBank has 02 major shareholders, the SBV and MUFG Bank as a strategic shareholder holding 64.46% and 19.73% of the shares respectively; VietinBank Trade union holds 1.15% of shares and other shareholders hold the remaining 14.66%.
- **Listing of shares on the stock market**

VietinBank went privatization in 2008, officially listed on Ho Chi Minh City Stock Exchange (HOSE) according to Decision No. 69/QD-SGDHCM dated 9/7/2009 and traded since 16/7/2009. Since its listing, VietinBank has made 12 times of cash dividend payments and 8 times of charter capital raising through issuing shares for stock dividends, bonus shares, and private placements to foreign strategic shareholders and right issue to existing shareholders. All shares issued for charter capital raising are listed by VietinBank in accordance with regulations. As of December 31, 2022, the number of listed CTG shares is 4,805,750,609.

As a listed company with a large number of shareholders, VietinBank always complies with regulations on information disclosure on the stock market in accordance with the law. In addition, VietinBank is the pioneer bank in proactively disclosing information in full, in a timely and transparent manner in both Vietnamese and English. At the same time, VietinBank also constantly improves the quality and professionalism of information provision channels to enhance the accessibility of investors to information on VietinBank's business results and has received increasingly positive appreciation from investors as well as the market, contributing to building the image of VietinBank and CTG shares for being transparent in information disclosure, dynamic in operation, friendly to the investor

community and the market and to increasing shareholder value.

- **The implementation of capital adequacy ratio according to Circular 41:** VietinBank's capital adequacy ratio regularly maintains in the range of 8.5-9.0% in 2022. As of December 31, 2022, VietinBank's separate CAR ratio reached 8.9%, complying with the limit prescribed by the SBV.

5.2. Funding

Funding growth rate is controlled on the basis of balance with credit growth demand, diversifying funding channels, ensuring compliance with liquidity ratios prescribed by the SBV.

VietinBank always gives priority to the development of customer deposits (including deposits from economic entities and residents) because this is a traditional, highly stable and core source of funding for commercial banking business. With the prestige and position of one of the largest banks in the economy, VietinBank has attracted a large amount of deposits from individuals and corporate customers during the past time. At the same time, VietinBank continuously innovates and upgrades products and services to meet the needs of customers. Therefore, high turnover rate is witnessed in terms of term deposits while demand deposits stay very stable. VietinBank has identified a key strategy of promoting funding in order to prepare funds to meet the credit needs of the economy.

- VietinBank's customer deposits as of December 31, 2022 were at VND 1,247 trillion, an increase of VND 87 trillion (+7.5%) compared to December 31, 2021 and an increase of VND 259 trillion (+26.2%) compared to with December 31, 2020.
- Funds mobilized from other credit institutions as of December 31, 2022 of VietinBank were at VND 203 trillion, an increase of VND 71 trillion (+53.2%) compared to December 31, 2021 and an increase of VND 79 trillion (+63%) compared to December 31, 2020.
- Funds mobilized from the Government/SBV as of December 31, 2022 of VietinBank were at VND 105 trillion, an increase of 71 trillion (+214%) compared to December 31, 2021 and an increase of VND 60 trillion (+134%) compared to December 31, 2020.

5.3. Asset quality

5.3.1. Credit extension

In recent years, although the world economic situation and domestic economy are still facing many difficulties and challenges, VietinBank's credit activities have maintained a steady growth rate and always adhered to the credit growth target assigned by the SBV.

a. Credit exposure to economic organizations and individuals

In credit exposure, customer loans accounted for the largest component. Along with the evolutions of the economy and business activities of customers, VietinBank's outstanding loans to customers achieved a positive growth rate year by year. However, to ensure liquidity safety in VietinBank's operations, the growth rate of outstanding loans over the years is controlled at the similar pace of funding growth.

The loan structure has shifted in a positive direction, prioritizing the growth of outstanding loans to retail customers and industries encouraged by the Government to develop; foreign currency lending rate was strictly controlled in line with the policy of

anti-dollarization of the economy. In the period from 2020 to 2022, the credit growth rate remains at an average of 7%/year.

b. Credit extension to potential risky sectors such as real estate; securities; BOT, BT, BTO projects:

In order to contribute to the implementation of the common socio-economic development objectives of the country, closely following the credit orientation of the Government and the SBV for the real estate sector, VietinBank continues to create favorable conditions in access to credit facilities for businesses and people to serve legitimate credit needs, ensuring credit growth but still controlling risks. In the coming time, VietinBank will participate in the Government's support packages for socio-economic development, including infrastructure development packages, preferential loan packages and loan interest subsidy programs for the social housing segment.

Transport projects play a very important role in the development of the economy, supporting the economic development of sectors, regions and areas. As a commercial bank with large state capital, VietinBank is among banks that extend credit for BOT transport projects the most. VietinBank's credit-granted BOT transport projects are all in operation, playing a pivotal role in the circulation of goods and passengers of the economy.

On the basis of identification of risks and difficulties in relation to BOT traffic projects, VietinBank has taken appropriate measures including (i) closely following the operations of transport BOT projects that are in difficulties, coordinating with the enterprises to manage toll revenue to generate sources of income for debt repayment, working and requesting project enterprises to take cost-saving measures, and other measures to ensure the ability to pay debt from the projects; (ii) proposing to the Prime Minister, the Ministry of Transport, the competent state agencies, etc. to request them to come up with solutions to support, or requesting the State agencies to strictly comply with the terms of the BOT contracts to solve the problems for the projects.

c. Credit extension to those who are subject to credit prohibition and credit restrictions, credit extension beyond limits

VietinBank extends credit in compliance with the regulations of the SBV in Circular 22. As of present, VietinBank did not extend any credit to those who are subjected to credit prohibition (some cases where credit was granted before assuming the positions).

d. Credit Concentration Evaluation

VietinBank has introduced its own set of credit conditions, regulations on valuation of collateral in a strict manner. VietinBank establishes credit risk limits to minimize the concentration risk, in accordance with the provisions of the law on prudent ratios. At the same time, VietinBank continues to take credit concentration risk control measures for credit extension to customers/customers and related persons.

5.3.2. Credit quality

- The ratio of group 2 debts to total debts for as of December 31, 2022 is 2.04%, the ratio of bad debt ratio as of December 31, 2022 is 1.08%.
- Debts sold to VAMC: no longer arises; Debts sold to DATC: by 2022, outstanding debts sold to DATC reached VND 119 billion.

- Investments in corporate bonds at risk of turning into bad debts: none
- Accrued interest amount subject de-recognition but has not yet been de-recognized: not incurred.
- Bad debt handling situation: VietinBank's bad debt handling is done by taking synchronously different solutions, consistently from the HO to branches. For bad debts determined according to Resolution 42, VietinBank has comprehensively and thoroughly reviewed and applied Resolution 42 to recover debts. As of December 31, 2022, the result of handling and recovering bad debts is VND 5,325 billion. This is the year with the largest recovery results ever.

5.3.3. Capital contribution activities

VietinBank's capital contribution and share purchase activities at capital receiving units always comply with relevant legal regulations. As of December 31, 2022, the total balance of VietinBank's capital contribution and share purchase in subsidiaries, affiliated companies and other domestic Capital Receiving Units reached VND 4,844 billion.

5.4. Payment, agency, trust activities

VietinBank's payment activities have continuously grown over years, the pace of transaction switch from counter channel to electronic channel has increased rapidly, accounting for 87% of VietinBank's total payment transactions in 2022.

The development of non-cash payments has always been VietinBank's top priority for many years as a money circulation channel, promoting economic development and other banking services. In order to meet the payment needs of customers, improve service quality and implement payment solutions and policies of the State Bank of Vietnam, VietinBank has implemented many synchronous solutions in the development of non-cash payment and payment restructuring, such as: implementation of "Online Public Service Integrated Payment Solution" in 12 Provinces/Cities. The Government Office has selected VietinBank as one of the two pioneer banks in Vietnam to deploy payment solutions on the National Public Service Portal since December 2019; development of electronic payment solutions in State budget revenue; implementation of collection and payment services for many organizations, businesses, payment intermediaries, administrative and non-business units in different fields; development of many new utilities and transaction methods on the E-Banking application: QRCode, 24/7 fast money transfer, domestic and international flight booking, bill payment, securities payment, payment via Alias identity account, payment via virtual account ...

5.5. Business results

In the period of 2021-2022, international macroeconomic and geopolitical developments have many potential risks, the Russia-Ukraine war broke out, leading to an unprecedented and widespread economic and geopolitical crisis in Europe. Across the globe, central banks in many major economies have continuously tightened monetary policy measures to control the rising trend of inflation. Meanwhile, China's continued implementation of the Zero-Covid policy has disrupted supply chains, posing great challenges to maintaining world economic growth and development.

In the context of the global and regional situation with many difficulties and instability, and decline in many economies' growth, Vietnam's economy has made a strong recovery, with positive achievements, laying a stable foundation for the development of the country. Amid that trend, VietinBank has actively implemented synchronously business solutions, taken the lead in implementing the policies and orientations of the Party and the State, proactively optimizing cost efficiency and well controlling asset quality, facilitating credit growth and modern banking products and services, keeping offering preferential programs to reduce lending interest rates, keeping lending interest rates among the lowest in the market, helping customers access credit and banking products and services at a reasonable cost, optimally meeting the financial needs of the economy. As a result, VietinBank's business performance achieved positive results, and the estimated financial results as of December 31, 2022 are as follows:

- Total separate assets reached VND 1.8 quadrillion, up 18.3% compared to 2021.
- Credit exposure grew positively from the beginning of the year. As of December 31, 2022, the credit exposure reached VND1.3 quadrillion, up 12.3% compared to the end of 2021, optimizing the credit growth limit imposed by the SBV by way of reshuffling lending structure in the direction of improving sustainable profitability and focusing on diversifying credit risk portfolio. VietinBank has concentrated its loans for production and business sectors, priority areas under the direction of the SBV; essential sectors of the economy, and at the same time prioritized its resources to support people and businesses to serve production and business activities; increased the proportion of loans to small and medium-sized enterprises and retail customers; developed and expanded the overall financial service provision for the customer ecosystem.
- Total funding continued to grow, reaching VND 1.7 quadrillion, up 18.5% compared to the end of 2021. Fund mobilization was optimally balanced with credit growth, funding costs were reduced in the context of interest income facing many difficulties as the Bank actively implemented preferential policies on lending interest rates to support customers affected by the Covid-19 epidemic.

In the 2nd and 3rd quarter of 2022, the credit rating agencies Moody's and Fitch Ratings continued to raise the credit ratings of VietinBank, demonstrating their better view by them in terms of ability, position and reputation of VietinBank. Such raising will also assist the bank in accessing funding from domestic and foreign credit institutions in the near future, diversifying funding channels, and actively contributing to ensure liquidity safety and compliance with prudent ratios according to regulations of the SBV.

- The ratio of NPLs to outstanding loans is controlled to comply with the limit assigned by the SBV and the General Meeting of Shareholders. VietinBank always focuses on asset quality control, bad debt handling, proactively cleaning up the balance sheet through many measures such as: actively urging, negotiating with customers on options for debt recovery; coordinating with relevant agencies to speed up lawsuits and judgment enforcement, proactively cleaning up the balance sheet; making provision according to regulations, maintaining the bad debt coverage ratio in 2022 higher than the 2021's level to retain a financial reserve buffer for the Bank's operations in the near future.

- In the period of 2021-2022, VietinBank always focused on growing operating income items and the operating income has been improving over years. Accordingly, total operating income in 2022 increased by 20.9 compared to 2021:
 - + Net interest income continued to grow over the same period in 2021 (+14.2 %) thanks to the scale improvement coupled with the improvement in profitability from the restructuring of the credit portfolio.
 - + In terms of services, the collection of trade finance fees and insurance commissions has grown quite well by implementation of sales promotion along with improving service quality, comprehensively meeting diverse financial service needs of customers. The efficiency in spending and cost management continued to be improved. Priority in cost allocation is given to activities that directly support business activities and essential activities.
 - + Income from foreign currency trading and risk handling witnessed a breakthrough growth, contributing to the growth of non-interest income (up 90% and 67% respectively over the same period in 2021) thanks to the efforts in taking advantage of market opportunities in foreign currency trading, effectively deploying policies to promote synchronously and promptly recover bad debts and written-off debts.
 - + The ratio of non-interest income as of December 31, 2022 reached nearly 25%, a positive improvement compared to 2021 (20%).
- As a result, separate profit before tax in 2022 reaches VND 20.4 trillion, ROA and ROE continued to improve (reaching 16.8% and 1.2% respectively) creating a premise for VietinBank to complete the full-year plan, further reinforcing its role as a key and pillar State-owned commercial bank of the economy, making a great contribution to the state budget and the country's socio-economic development in the coming time.

5.6. Liquidity situation and compliance with prudent limits and ratios

VietinBank's prudent ratios are always compliant with and maintained within the safety threshold and limits prescribed by the State Bank of Vietnam according to Circular 36/2014/TT-NHNN dated November 20, 2014, Circular 41/2016/TT-NHNN dated December 30, 2016, Circular 22/2019/TT-NHNN dated November 15, 2019 and documents amending, supplementing, and other related documents.

6. Status of implementing the national strategy on green growth

Defining sustainable development as an inevitable trend in the world, the Board of Directors as well as the Board of Management of VietinBank have long been interested in these areas. Since 2015, VietinBank has requested for consultative support from IFC to stay updated to the field and consider possible activities to be deployed by the Bank.

Following the direction of the SBV in Decision No. 1604 dated August 7, 2018; VietinBank has actively developed an action plan and implemented activities aimed at promoting green finance. Accordingly, the list of portfolios of funding by VietinBank in green finance includes the following: (i) Green agriculture; (ii) Sustainable forestry; (iii) Renewable energy, clean energy; (iv) Recycling and reuse of resources; (v) Waste treatment and pollution prevention; (vi) Sustainable water management in urban and rural areas.

7. Status of applying international financial reporting standards (IFRS):

Based on Decision No. 345/QD-BTC of the Ministry of Finance dated March 16, 2020 and Decision 689/QD-TTg of the Prime Minister dated June 8, 2022, VietinBank has conducted research and is implementing its project to apply IFRS standards in preparation of the financial statements according to the schedule required by the regulators.

8. VietinBank Tower project

During the restructuring period, VietinBank has developed and implemented solutions related to the overall restructuring of the Project including strict management of construction investment activities in parallel with the completion of required procedures for timely transfer of the project in accordance with regulations. However, during the construction process, there were many unresolved problems. Since 2018-2021, VietinBank has prioritized the implementation for transfer of all assets of the project. Up to date, the focus is on two main areas: negotiating and working with the main contractors for timely resuming the project's construction and completing the procedures for transfer of the land use rights certificate as prerequisite for transfer of the project according to regulations.

IV. Shortcomings and risks associated with the bank's operations

As part of the process of developing the Restructuring Plan, in addition to the proactive identification and assessment of specific shortcomings, risks and issues specified in relevant conclusions, findings and recommendations of the Government Inspection, State Audit, SBV, Independent Auditor and other competent authorities for working out objectives, orientations and corrective measures as solution, VietinBank has also focused on identified shortcomings, risks and issues detected by providing direction, performing administration, inspection, control and internal audit of the Bank.

VietinBank's internal control system has been fully established, in accordance with the provisions of law and set into full effect. The Bank's policy document system has been relevant to applicable laws, however, there are still some internal documents issued by units of the same level with duplicate content, covering similar issue with multiple policy documents in place, prompting required restructuring to the policy documents for relevance to the Bank's orientation/strategy for a streamlined system. Some of the policy documents have been found irrelevant to the updates to functions and tasks of related individuals/departments upon change to the organizational model; with detected compliance errors, operational errors associated with specific activities; while the Bank still has to cope with many difficulties in recovery of bad debts, written-off debt, etc... The issues identified as finding of the audit activities have been included in proposal/recommendations by the Internal Audit put forward to the Board of Directors, General Director for timely direction and instruction to relevant individuals and departments in taking corrective measures in order to continuously improve the Bank's internal control system.

V. Overall Assessment of Strengths, Weakness, Difficulties, Challenges, Trends Affecting the Bank's Activities

1. Global and National economic situation

1.1. Global and regional macroeconomics

Ever since the Covid-19 pandemic, the world economy growth experiences a period of slower growth from 6.3% in 2021 to about 2.9% in 2023 (according to WB). Accordingly, the world financial markets continued to maintain a tight policy, in which, the FED was determined to keep high interest rates in a longer period of time as US inflation has not yet returned to the targeted rate, and the ECB also maintained a tight policy. Commodity markets were affected by the conflicts, especially the conflict between Russia and Ukraine, leading to higher commodity prices, while the decline in consumption demand in Europe and the United States led to a decline in exports from Asian countries. Lower than expected economic growth in China was witnessed with signs of stagnation when CPI is continuously negative in the last months of 2023.

Large debts, high interest rates, large budgets for health care and pension may lead to the likelihood of more serious public debt crisis in many countries, making the world economy's recovery slower and remained high risks in the international financial and monetary markets. Many countries have increased trade protectionism in recent years; tax barriers and environmental barriers for goods imported into Europe have been set. Science and technology develop rapidly; the fourth industrial revolution and the digital economy have become one of the major development trends of the times.

The economies of ASEAN countries are greatly affected by the decline in world demand after Covid-19 pandemic, with exports decreasing from 13.8% in 2021 to 2.4% in 2023. GDP in the ASEAN region remains quite high compared to with world's, increasing from 3.9% in 2021 to 4.1% in 2023, of which Vietnam ranks the second, after the Philippines. However, this region's economy in the next decade is still expected to be one of the fastest growing economies and a growth driver for both the APAC region, in particular, and the world, in general, with the expectation of becoming increasingly important destinations for foreign direct investment flows, as multinational companies diversify their supply chains to benefit from the growing number of competitive advantages in the ASEAN region.

1.2. Vietnam Macroeconomics

The economic growth rate is maintained at a relatively high level. In the 2011-2015 period, the GDP growth rate reached an average of 5.9 % /year, in the 2016 - 2019 period, the growth rate reached 6.8%/year, in 2020 and 2021, due to the Covid-19 pandemic, the growth rate was below 3%. However, GDP grew strongly in 2022 and reached 8.02%, which is the highest increase in the period 2011-2022. The economy recovers, but still at a slow pace, in 2023 GDP is 5.02%.

The average CPI index decreased from 18.6% in 2011 to a stable level of below 4%/year in the period 2016 - 2023. The currency and foreign exchange markets are basically stable; credit capital for the economy is secure, focusing on the production sector, especially priority sectors.

Vietnam's GDP growth is forecast to be an average of 6 - 6.5% for the 2024-2025 period¹. Domestic and international assessments and forecasts share a prospect that Vietnam will report a high growth rate in the coming years with the driving forces for

¹ IMF global economic forecast, October 2023

promoting economic growth by 3 main pillars, namely: exports, domestic consumption and investment, while making good use of benefits from the trend of shifting production out of China, the country's signatory to free trade agreements as well as its stable domestic political environment. In the short term, Vietnam is affected by the Covid-19 post-pandemic, especially in its trade with the largest trading partners of China, the US and the EU. However, in the long term, import and export turnover of Vietnam is forecast to soon recover its growth at an average annual rate of about 9% - 11%.

Inflation is forecast to be kept below 4%/year on average in the period of 2024-2025. USD exchange rate in Vietnam is forecast to remain stable as the SBV continues to adopt the flexible policy for management of exchange rates through the central exchange rate mechanism.

1.3. Strengths and weaknesses

- Strengths:

- + A rich network of banking services, serving all economic sectors. The Law on the State-owned Banks and the Law on Credit Institutions, which took effect in 2010, is a new step forward in consolidating and perfecting the legal basis for banking activities. The SBV's ability to build, operate, and manage money - credit - banking sector has been raised to a new height, well implementing the national monetary policy and operated effectively;
- + The monetary-banking indexes have improved significantly: The total means of payment is properly regulated; the ratio of cashless payment to total means of payment tends to increase gradually for a large transaction value and the number of transactions;
- + Interest rate policy is gradually being renewed, in line with the market mechanism. On the basis of the regulated interest rate announced by the SBV, credit institutions proactively set deposit and lending interest rates in the direction of ensuring deliver of prudent ratios for safety and effectiveness in banking business;
- + The foreign exchange management policy has been gradually liberalized, many requirements for licenses have been removed in the direction of gradually conforming to international practices and international integration requirements, initially meeting the requirements of administrative reform, of the Law on Enterprises in clearly defining the rights and obligations of enterprises, creating more openness for foreign economic activities;
- + The exchange rate policy was initially operated relatively flexibly according to the foreign currency supply and demand relationship on the basis of a basket of currencies, so the exchange rate accurately reflected the purchasing power of VND and the correlation between VND and other currencies of countries having trade, investment and credit relations with Vietnam. The flexible exchange rate adjustment has created favorable conditions for commercial banks and the SBV to increase foreign currency purchases from the market, meeting most of the foreign currency needs of customers and ensuring the State's goal of increasing foreign exchange reserves;

- + The management apparatus and organizational network are suitable to the development requirements from time to time. The staff in the banking industry matures quickly with the ability to access new knowledge and technology of modern banking, and is capable of operating and carrying out banking activities more and more professionally according to the standards of the banking industry as per requirements of the economy and actively integrate into the international economy in finance - banking;
- + Cooperation with multilateral and bilateral organizations has been strengthened to enlist the support of the international community for Vietnam and attract capital for the country's economic development for its deeper integration into the regional and world economy;
- + Building and constantly improving the legal basis and banking process in line with market economic institutions, forming a level and fair playing field for credit institutions and businesses on the basis of efficiency of borrowed capital rather than depending much on economic sectors as before;
- + The facilities of credit institutions are increasingly strengthened, ensuring working conditions for staff with necessary equipment;
- + The legal framework for payment via banking is constantly being improved, serving as a basis for credit institutions to invest in technology innovation and transaction process improvement. In particular, the application of information technology into banking activities has helped credit institutions expand the types and methods of providing payment services and modern banking services;
- + The process of innovation and application of modern banking technology has been strongly promoted in order to create synchronism, capable of exploiting and effectively using bank capital.

- **Weaknesses:**

Weaknesses of domestic banks are small capital scale, high bad debt according to international accounting standards, especially state-owned commercial banks, and limited management capacity. Besides, the products and services of domestic banks are far from diversified; still relying on traditional deposit and lending services, and the service quality is not high. When the final restrictions on the service provision of foreign banks are lifted, domestic banks will face the risk of losing their advantages in retail banking with their network from its distribution channels. With the opening of the domestic financial market, domestic banks also face market risks such as price, exchange rate and interest rate risks and systemic risks stemming from the spread of crises, economic and financial shocks in the region and in the world.

2. Difficulties & Challenges

- **Potential risks:**

- + Increased financial sector risks (stress in the real estate and corporate bond markets, tighter bank liquidity and high interest rates...) will likely affect growth prospects, especially private investment and consumption as the pillars.

- + Tight monetary policy leads to a decrease in the economic growth momentum under the scenarios.
- + Exchange rate and interest rate risks in the context of limited foreign exchange reserves and low growth of import and export have negatively affected the business activities of enterprises and the general economic recovery momentum.
- + The slow disbursement of public investment and social welfare expenditures compared to the plan, especially the slow implementation of the Government's economic recovery and development program.
- **Challenges for the banking industry:**
 - + Challenges in controlling interest rates, exchange rates and inflation
 - The Fed's interest rate hikes sent the DXY index (a measure of the dollar's strength) to its highest level in two decades, creating downward pressure on most currencies around the world, not excluding the VND.
 - The risk of inflation is likely to increase due to many objective and subjective factors, domestic and foreign factors, the impact of trade policies, monetary tightening policies, the shift of investment capital flows by some major countries; while world prices of raw materials, fuels and materials remain high, affecting the prospect for inflation, the domestic currency and foreign exchange markets, especially when Vietnam's economy is highly open.
 - + Risks associated with control for safety and sustainability of the system
 - The risk of elevated bad debt ratio due to the long-term effects of the Covid-10 pandemic which lasted for 2 years has brought many consequences to the economy. Difficulties such as slow capital turnover, disruption in cash flows, and negative impacts of unusual fluctuations in the world economy have caused businesses to lose revenue and be unable to pay their due debts.
 - The restructuring of debt repayment terms, exemption and reduction of interest and fees, and keeping the debt group unchanged in 2022 are essential to solve difficulties for businesses and people, but also potentially increase the risk of bad debt and increase in bad debt and liquidity risk in the medium term.
 - Although the stock market has developed, the supply of capital to the economy (especially medium and long-term capital) is still mainly reliant on the banking system. The corporate bond market has many inadequacies from the policy stage to the implementation supervision stage, thereby increasing repricing risks and liquidity risks (short-term deposits for medium- and long-term loans), leading to pressure and risks for the credit institution system.
 - + Risk management challenges are associated with new business models in digital transformation: Risks are associated with new business models when implementing digital transformation. Vietnam is one of the countries with a strong growth rate in the digital economy and the banking industry is one of the leading industries in applying comprehensive digital transformation achievements in operations. This creates great opportunities and advantages for the banking industry but also creates

new risks including operational risks, information security risks and possibly reputational risks for the bank in the process of digital transformation.

3. Banking industry development trend

3.1. Development trends of the world and regional banking industry

Nowadays, financial and banking activities are increasingly facing many unpredictable risks and challenges from global economic instability under the impact of epidemics, natural disasters, trade wars, and geopolitical conflicts, unpredictable monetary policies of countries, increasingly tight regulations of the financial and banking industry, increasing competition from non-banking competitors, and the influence of low interest rates on the lower profitability of the banking industry. On the other hand, a number of factors that positively affect the banking industry in the next decade include the strong development of science and technology and the improvement in living standards and income that change the consumer behaviors. Many new economic patterns are gradually shaping such as the gig economy²), the sharing economy, the circular economy, the global value chains, and the global supply chains shall be expanded. Accordingly, banks increase investment in IT infrastructure, digitize operations to better connect with customers and focus on customer experience. This has led to the birth of new operating models such as digital banking, open banking³, correspondent banking⁴, banking ecosystem, etc....

Asia is considered the driver of the global economic growth, led by China, India and ASEAN due to its young population, growing middle class as well as high urbanization and trends of globalization and regionalization. ASEAN countries have continued to promote regional linkages to help liberalize the movement of capital/people/goods by the end of the next decade as well as accelerate restructuring, transformation of strategies and growth models, and changes to economic and development thinking. Following in the footsteps of customers, banks in Asia such as DBS, OCBC, KEB Hana Bank, Maybank, Krungsri, Kasikorn Bank... all aim to expand their operations in the region and in the world. According to the analysis of the operating models of the leading banks in the Asia Pacific region, the trend of banks is to promote exploitation and generate revenue from four main areas of operation: retail, SME corporates, transaction banking and wealth management⁵. Growth potential as well as new trends by sector are as follows:

- (i) **Retail banking:** Outstanding loans to retail customer in the APAC region reached 12.8 trillion USD in 2018, and are forecast to grow at an average rate of 8% per year and reach 21.2 trillion USD in 2025, accounting for 34% of total outstanding loans and 53% of the total deposits of commercial banks in the region⁶. On the basis of

² Gig economy includes employees who are not on the payroll of the business, under no signed labor contract, and entitled to a free working mechanism such as a Grab driver.

³ The concept of Open Banking is based on the consolidation of third-party data, whereby banks allow 3rd service providers to write applications and provide services based on user information supplied by the bank through a secure APIs portal. Open Banking brings huge profits to banks by creating a dense ecosystem around the bank.

⁴ The banking agent model is used in remote areas where banks where banks maintain no branches or transaction offices. The bank signs agency contracts with convenience stores and post offices to provide simple banking products and services to residents; or banks work in cooperation to exploit each other's networks (e.g. Krungsri exploits the network of branches and transaction offices of Agricultural Banks and Agricultural Cooperatives to provide deposit products and cash withdrawal services).

⁵ "Asian Pacific Banking Review 2019", McKinsey&Company, 2019.

⁶ "Future of Asia", McKinsey & Company, 2020.

cooperation with digital enterprises (e-commerce sites or telecommunications companies), commercial banks can develop product and service supply channels to access new individual customer base at low cost relative to traditional channels. Consumer lending relies on data analysis to assess risk and determine the credit product that best suits the appetite and credit history of customers, especially the middle class who currently accounts for 40%, set to increase to more than 60%, of total number of households by 2025. Digitalization applications as well as national regulations and policies will promote financial inclusion in reaching out to retail customers.

- (ii) **SME Corporate Banking:** Outstanding loans to SME businesses accounts for one-third of the total outstanding loans of commercial banks in the APAC region and are forecast to reach 23 trillion USD by 2025 with an average growth of 9.1% per year⁷. Despite accounting for a large proportion, there is still plenty of room for commercial banks to exploit the SMEs segment as this segment contributes 54% of the total GDP in Asia but only makes up 25% of pre-provision profit of banks. SME customers' access to bank credit is limited because banks often lack information to evaluate the businesses, so the provisioning cost to be set aside by banks applicable to SME businesses is often twice the provision cost applicable to large corporate customers. Therefore, the majority of SME enterprises use other credit sources (debts from customers, borrowings from suppliers, etc.) to finance business activities. Lending to SME can bring great profits to banks if banks use digital platforms to access and analyze data to identify customers eligible for secured or unsecured credit. The process of application, appraisal and granting credit should be simplified, streamlined, and time-consuming. In addition, it is advisable to integrate other platforms for invoicing, payroll, inventory management, human resource management to provide a full service package for SMEs in line with corporate cycle.
- (iii) **Transaction banking:** It accounts for a third of the total income of APAC banks, equivalent to 50% of the revenue of the Global Transaction Banking. With a high growth rate of 17%/year during the period 2008-2018, Transaction Banking is forecast to slow down to around 6-7%/year until 2023⁸. Securities services will grow strongly as institutional investors increase their investment in the APAC region, especially China. Cross-border trade and investment flows have increased thanks to trade liberalization agreements and the promotion of economic linkages in the region. Banks need to improve the quality of securities custody services, build low-cost platforms to increase transaction size. Supply chain financing is also forecast to grow strongly at 14%/year.
- (iv) **Asset Management** Total personal financial wealth is forecast to reach 69 trillion USD by 2025. Given the current growth rate of 9%/year, in 6 years' time, the APAC region will account for ¾ of total global personal financial assets, mainly due to the

⁷ “Asia Pacific Banking Review 2019 – Bracing for consolidation: The quest for scale”, 2019.

increasing wealth of the business class, especially high-end and rich retail customers⁹. Despite impressive growth, this is an untapped market segment with nearly 80% of the portfolio not managed by a professional team. For the rich and super-rich retail customers, commercial banks need to have a product strategy to meet the customer demand for highly personalized asset management services. For the mass individual customer segment, it is possible to deploy digital platform applications with low consulting fees but attract a large enough portfolio of assets under management. Data management, development of analytical models, automation and artificial intelligence will help improve the user experience of retail customers.

3.2. Development trend of Vietnam's financial industry

3.2.1. Trend of restructuring the financial system towards sustainable and safe development

- Restructuring the credit institution system:

Vietnam's credit institution system continues to promote restructuring in the trend of gradually shifting from the scale-based growth model to the growth model associated with efficiency, in which banks restrict holding of high risk-bearing assets, adjust investment portfolios, structure operating methods in the direction of minimizing capital costs and optimizing operations, developing business segments that generate stable profits without relying on capital such as retail, fee income-based, consultancy and asset management, etc. It is among the direction toward higher share of income from non-credit service activities in the total income of credit institutions to 16-17% by 2025 according to the Vietnam Banking Sector Development Strategy.

The restructuring of operational areas (focusing on core business areas with low risk and high profit margins) is placed in the context of diversification of financial market players (fintech and bigtech companies), and is also an urgent requirement when banks have to face risks and fluctuations in the financial market in terms of liquidity, interest rates, and bad debts.

At the same time, credit institutions also continue to actively implement measures to deal with bad debts, control and limit newly arising bad debts, and limit bad debts from eroding profits. Under the orientation, by 2025, the bad debt of the whole system of credit institutions is less than 3%.

- Applying international standards:

For credit institutions, applying Basel II according to standard methods and advanced methods is an inevitable trend to help build a solid and flexible business strategy, select an appropriate customer portfolio, and optimize capital efficiency, as well as minimizing risks associated with banking operations. Under the orientation, by 2025, all Vietnamese commercial banks will apply Basel II according to the standard method and pilot Basel II

standards according to the advanced method at state-owned commercial banks with State holding dominant shares and joint stock commercial banks with quality management.

The application of international financial reporting standards (IFRS) is the key for Vietnamese credit institutions to provide transparent financial information according to global standards, resulting in a strong, steady and high-ranking system of credit institutions on international rankings. Accordingly, banks need to proactively prepare a roadmap for a shift from VAS to IFRS in preparation of financial statements, thereby being ready to meet compliance requirements according to the orientation in Decision No. 345/QD-BTC dated March 16 2020 of the Ministry of Finance on approving the project of applying financial reporting standards in Vietnam; and the Prime Minister's Decision No. 689/QD-TTg dated June 8, 2022 on approving the project for restructuring of the system of credit institutions associated with bad debt settlement in the period of 2021-2025.

- **Green credit development:**

The green growth model is an important content of sustainable development, as a way to promote the economic restructuring process towards efficient use of natural resources, contributing to poverty reduction and creating a driving force for economic growth with sustainability. Credit capital from the banking system plays an important role in creating financial sources for green growth, contributing to the successful implementation of the National Green Growth Strategy. By providing green credit, the banking system will play a pivotal role in supporting economic sectors in formulation of operation strategies to develop the green credit economy, so there should be mechanisms and policies to promote and encourage green credit.

3.2.2. Trend of balanced development of channels of capital supply to the economy

Vietnam's financial market is developing rapidly and strongly, Vietnam's stock market is expected to be upgraded from frontier market to emerging market in the next 1-2 years, Vietnam's stock market will become an attractive investment channel for foreign investors. Bank credit will continue to grow, maintaining its role as main source of capital for the economy, yet a slower pace while the capital channels will gradually shift to the stock and bond markets.

As part of the Government's orientation for the period until 2025, comprehensive finance aims to ensure that all citizens and businesses can access banking products and services, and to develop the stock market to enhance the role as the supplier of capital for the economy, gradually reducing the dependence and pressure on the banking industry. The stock market capitalization is forecast to reach 120% of GDP by 2025¹⁰; the size of the bond market will reach 55% of GDP by 2025¹¹.

3.2.3. Integration trend

The national goal in the Master Strategy for International Integration up to 2025, with a vision to 2030 is to catch up with Asean-4 by 2025 and by 2030 to rise to the top of

¹⁰ Decision No. 242/QD-TTg dated February 28, 2019 on approval of the "Project on restructuring the stock market and insurance market up to 2020, orientation to 2025.

¹¹ Decision No. 1191/QD-TTg dated August 14, 2017 approving the roadmap for development of the bond market for the period of 2017-2020, with a vision to 2030.

ASEAN in the fields of Vietnam's strengths¹². Vietnam has been signatories to many new generation trade agreements, notably including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Vietnam Free Trade Agreement - The European Union (EVFTA), the Regional Comprehensive Economic Partnership (RCEP), which includes ten members of the Association of Southeast Asian Nations (ASEAN), along with China, Japan, South Korea, Australia and New Zealand. Vietnam's commitments in the ASEAN region will have positive effects that require credit institutions to increase their competitiveness to embrace investment opportunities from foreign investment flows.

Besides, the context of the US-China trade war has prompted foreign investors to consider shifting capital flows out of China. The wave of investment shift was even stronger after the Covid-19 pandemic, and Vietnam built a sound reputation in the international community for its flexibility and adaptability, becoming one of the best performers in containing the pandemic worldwide, making it the best destination of FDI enterprises. In anticipation of opportunities to serve foreign investors, credit institutions are actively promoting service quality improvement, providing a comprehensive and modern customer experience, and developing structured products in line with international norms and accompanying services such as Capital account, direct - indirect investment account, services for M&A deals...

3.2.4. Digitalization trend

The rapidly changing customer demand lead to a changing role of a bank, aided by new technologies, Fintech companies and the constantly changing regulatory environment. Banks are focused on providing a comprehensive digital experience, driving operational efficiency, and aiming to become a “one stop shop” service provider.

For retail customers, with the increasing use of the Internet and mobile phones, customers (especially in emerging markets) are growing their preference for digital channels and seek digital products and services. Customers prefer online deposit accounts, cards, loan issuance, with expectation of faster processing times and dislike physical branches and transaction offices. As a result, banks worldwide and in the ASEAN region have focused on building a comprehensive digital banking experience by providing diverse products and services via digital channels. In addition, banks are also focused efforts on providing customers with a seamless omni-channel experience, on both physical and digital channels, whereby customers have access to all services on a real-time basis. Banks have also strived to reach customers in the form of mobile self-service options such as chat-bots, which promptly resolve customer issues. Such technology investments allow banks to improve their performance in terms of turnaround time associated with launching new products, while provide customize support in catering to customer demand.

Corporate customers, especially SME customers, traditionally have been faced with challenges in the loan application handling, such as complicated paperwork and procedures, low level of information transparency, and limits in terms of supporting

¹² Decision No. 40/QĐ-TTg dated January 07, 2016 on approval of the he Master Strategy for International Integration until 2025, with a vision toward 2030.

documents as proof of credibility. Adoption of automation and intelligent analytics for optimal lending as a full process, in combination with partnerships to access non-traditional data sources and risk assessment and valuation for better decision-making in lending, banks have gradually increased their digitization capabilities to meet the credit needs of SME businesses.

Globally, the Fintech sector has enjoyed a favorable environment to deploy innovation and build solutions. In the APAC region, Fintech companies have enjoyed support from Governments and regulatory agencies in developing and promoting innovation associated with the banking ecosystem. In Vietnam, on December 10, 2021, the SBV issued Decision No. 1977/QĐ-NHNN to establish the Steering Committee and Working Group for Digital Transformation of the Banking Sector to develop and implement policies and resolutions, strategies, plans, policy mechanisms of the government, the Prime Minister to promote the national digital transformation process, in close link with administrative reform, building and developing e-Government, the digital Government, digital economy and to create conditions for the implementation of the Fourth Industrial Revolution; and to provide unified direction across the banking sector on digital transformation activities. The Steering Committee will also advise and assist the Governor of the State Bank of Vietnam in directing agencies and units in the banking sector in researching, developing and implementing mechanisms, policies, strategies, schemes, projects plans and solutions to promote the digital transformation process at credit institutions and foreign banks' branches, creating favorable conditions for the implementation of the Fourth Industrial Revolution in the banking sector; at the same time, participate in researching, developing and implementing mechanisms, policies, strategies, schemes, projects, plans and solutions to continue administrative reform and build and develop e-Government and digital Government at the SBV.

The industrial revolution of version 4.0 has also brought about many new technologies, affecting banking industry activities. Open banking is reshaping the market and bringing both opportunities and challenges to the banking industry. Opportunities are for banks to reach out to customers through multiple third-party channels, create new revenue streams, but also are faced with security, information privacy or reputation risks. Robotic Process Automation (RPA) offers advanced solutions, eliminating manual work, contributing to improve service quality, data quality and labor productivity. In particular, trade finance products are experiencing a revolution in terms of services – a new platform powered by Blockchain technology for lower requirements for testing and verification, providing signature services unique to financial institutions on trade finance transactions. In addition, AI has been adopted by banking and financial institutions, mainly for risk management, process automation and operational capacity improvement. Banks have also increasingly utilized the cloud computing technology, contributing to improved capability for data storage, transmission and processing. Cloud computing technology offers greater data protection, improved error prevention and troubleshooting, and ensures business continuity.

VI. Viewpoints on Restructuring Objectives until 2025

1. Development and restructuring perspective until 2025

Successful implementation of the plan on restructuring in association with bad debt handling bad debts in the 2016-2020 period creates momentum for VietinBank to enter into a new development phase from 2021 to 2025 with a focus on transforming growth models and changing competitive methods, in order to promote potential advantages and optimally exploit internal resources, towards the Bank's sustainable and effective development goals, contributing to the realization of the country's sustainable development goals.

On the basis of coherence and alignment with the 5-year socio-economic development plan for 2021-2025 and the 10-year socio-economic development strategy for 2021-2030 with a vision towards 2045 of the country; and the close connection with national comprehensive finance to 2025, orientation towards 2030 in Decision No. 149/QD-TTg dated January 22, 2020 and development strategy of the banking industry, policies of the SBV on the strategy formulation at credit institutions for the period up to 2025, with a vision towards 2030 in Decision No. 986/QD-TTg and Decision No. 34/QD-NHNN on promulgating the Action Program of the Banking sector on implementation of the development strategy of Vietnam's banking industry to 2025, with orientation to 2030; Adhering to the Project on "Restructuring the system of credit institutions in association with bad debt handling for the period of 2021-2025" in Decision No. 689/QD-TTg and Decision No. 1382/QD-NHNN on the issuance of the Action plan of the banking sector to implement the Project on Restructuring the system of credit institutions for the period of 2021-2025; Decision No. 1148/QD-NHNN dated June 30, 2021 of the SBV promulgating the Banking Sector Action Program to implement Resolution No. 50/NQ-CP dated May 20, 2021 of the Government.

The financial scenario is built appropriately, in order to achieve the goals of VietinBank as well as the key objectives of the entire banking industry, while ensuring prudence, taking into account the factors affecting the operation. The Bank's business activities include increasingly serious natural disasters, climate change, and complicated epidemics in the world as well as in Vietnam.

Accordingly, VietinBank defines its Development and Restructuring perspective as follows:

- VietinBank plays the role of one of the main pillars and mainstays of the economy, accompanying the development of the country, bringing into play the potential advantages of the bank, making the most of its internal resources, and articulating the growth of the bank with key economic sectors and key economic regions of the country, actively participating in the integration process. The Bank shall actively improve the quality and efficiency of banking growth and development equivalent to that of leading regional banks.
- Being a State-owned commercial bank, playing a key and leading role and the role of a market maker, staying competitive both in domestic and international markets; operating in a healthy, quality, efficient, public and transparent manner, meeting the

standards of banking safety in accordance with the law and approaching international practices .

- Accordingly, specific objectives are: Improving financial capacity and financial management, increasing charter capital, ensuring prudent ratios as regulated; Improving asset quality and efficiency of business and investment activities; Improving governance, administration and competition capacity, continuing to promote Basel II implementation; Promoting multi-service business model, developing non-credit services; Applying technology for digital transformation; Developing quality human resources to meet operational needs; Accelerating bad debt recovery, improving credit quality, preventing and minimizing new bad debts arising.

2. Key business objectives until 2025

Based on the assessment of the potential of the macro economy and the banking industry in the 5-year period and orientation to 2030, analysis of the achievements and limitations of VietinBank in the process of implementing the medium-term business plan of 2018-2020, closely following the objectives in the Banking Sector Development Strategy to 2025, with orientation to 2030 of the SBV, on the assumption of adequate capital base, VietinBank develops projected financial targets as orientations for implementation as shown in the below table. The specific targets will be revised and implemented in compliance with the annual approval of the competent authorities, specifically:

Unit: billion VND

No.	Indicator	Orientation to 2025
1	Total assets	Average growth rate of at least 5% for the whole period
2	Mobilized funds ^(*)	Growth in line with credit growth to ensure compliance with SBV's required liquidity ratios
3	Credit exposure	Expected average growth of at least 5-10%/year
4	CAR	Comply with the regulations of the SBV
5	Profit before tax	Average growth of 5%-10%/year for the whole period

3. Some key solutions

3.1. Improving operational efficiency and quality

3.1.1. Improving financial capacity, credit quality, operational efficiency, business administration, transparency in operations

- **Improving financial capacity**
 - + **Capital raising:** VietinBank synchronously implements solutions including: Increasing Tier 1 capital from retaining profit after tax, after annual fund appropriation; Issuing subordinated bonds to increase tier 2 capital; Increasing charter capital from additional injection of capital from shareholders
 - + **Adjusting the structure of the portfolio of risk-bearing assets to reduce the RWA for credit risk:** in order to reduce the pressure to increase own capital, VietinBank has been implementing solutions to adjust the structure of risk-bearing assets in the direction of increasing the proportion of low-risk-bearing assets and

- reduce the proportion of high-risk-bearing assets, allocating own capital in the direction of devoting more resources to sectors/products/segments producing high return on equity to optimize the effective use of own capital. In addition, VietinBank orients credit growth to low-risk-weighted receivables, strengthening the risk mitigation measures that are accepted for deduction when calculating RWA as specified in Circular 41. The setting of specific limits on RWA will be on a balanced basis in accordance with the plan to increase capital from time to time .
- **Solutions to raise capital are implemented in parallel with solutions to improve financial capacity and control credit quality by way of:**
 - + Focusing on credit extension to key industries and fields with low risk and ensuring the target of effective and secure operation.
 - + Strengthening risk management to reduce risk provision costs, limiting credit concentration risks, and growing medium and long-term credit in line with the ability to mobilize medium and long-term funds.
 - + Improving the capacity of credit assessment and appraisal and the effectiveness of credit risk management.
 - + Limiting/Refraining from credit extension for the purpose of contributing capital to purchase shares, contributing capital for investment cooperation and business cooperation in enterprises operating in high-risk fields; Limiting/Refraining from buying bonds of unlisted enterprises on the stock market operating in high-risk fields; ensuring that borrowers must fully meet the conditions and comply with the provisions of law.
 - + Actively, proactively, synchronously and drastically implementing solutions to deal with bad debt.
 - + Regularly reviewing, evaluating, monitoring and closely examining borrowers, credit facilities and collateral to take appropriate handling measures.
 - + Improving the efficiency of internal control and audit, ensuring compliance in credit extension.
 - **Improving operational efficiency, business administration, transparency in operations of VietinBank**
 - + Providing for in detail responsibilities to the law of members of the Board of Directors, BoM, Supervisory Board, Internal Audit.
 - + Ensuring the independence of authority, responsibilities and obligations of the Board of Directors/Members Council, the BoM and the Supervisory Board.
 - + Building a team of staff with professional qualifications, responsibility, professional ethics and a sense of law compliance.
 - + Searching and selecting renown domestic and foreign strategic investors having financial capacity, management experience.
 - + Publicly, transparently and accurately disclosing information in accordance with the law and international practices

- + Upgrading and applying the risk management system in line with the principles and standards of the Basel Committee and the Basel II/III application roadmap in Vietnam

3.1.2. Bank modernization and competitiveness improvement

- Developing a multi-service business model: Continuing to transform the growth model from scale-based to strongly improving service quality and operational efficiency on the basis of a modern and multi-service banking platform, maintaining a reasonable growth rate, shifting the growth structure towards concentration, promoting retail activities; drastically changing the business method from providing banking products and services to developing and applying full package of banking and financial solutions for customers/customer groups, developing & exploiting the ecosystem and linking chain to the fullest extent.
- Modernize banking technology and payment system: Continuing to promote digitalization at VietinBank; upgrading the wide area network and information technology infrastructure with technical solutions suitable to the development level of the Vietnamese banking system and international standards and practices; Strengthening the system of information and data security and network security.

3.1.3. Network development

- Reviewing and evaluating the performance of branches and transaction offices nationwide.
- Considering the establishment of branches and transaction offices in areas with high demand for financial banking services.

3.1.4. Improving the efficiency of credit allocation, promoting green credit, green banking, investing in renewable energy, clean energy, low-carbon production and consumption industries

- Researching and integrating the implementation plan of the National Green Growth Strategy, duties and solutions to respond to climate change in VietinBank's business strategies and plans to promote green credit, manage environmental and social risks, aiming to develop a green bank model.
- Developing the Bank's sustainable finance framework to unify the appetite and orientation of the entire bank with the field of sustainable development.
- Developing digital banking models, and new and modern forms and means of payment applying high technology and environmentally friendly technology to create synchronization and favorable conditions, encouraging development of cashless payment, reducing the circulation of paper notes in the market.
- Promoting the mobilization of funds for green finance through strengthening international cooperation and negotiating with many partners to mobilize maximum “green” funds from international and domestic partners.
- Focusing and prioritizing allocation of funds to finance projects in the list of Green projects, focusing on industries/fields consistent with Vietnam's committed goal of achieving net zero in 2050.

- Strengthening green shopping activities, prioritizing the use and consumption of environmentally friendly products and services; Reviewing and proposing a roadmap for applying energy- and natural-resource-saving technology in VietinBank's activities for future implementation.
- Accompanying the Government, ministries/agencies/sectors in relation to environmental and climate issues such as the Ministry of Natural Resources and Environment, the Ministry of Finance, the Ministry of Industry and Trade... in the process of developing related legal documents.

3.1.5 Continuing development of non-credit service activities

- Continuing to implement solutions to transform the business model of VietinBank from relying on credit activities to a multi-service business model in order to increase the share of non-interest income in the total income.
- Developing new products, product carrying multiple utilities for customers, promoting electronic payments in the public administrative service sector.
- Researching and implementing an open banking model, diversifying customers through cooperation and integration of banking services into other fields. Shifting the banking business model from a closed ecosystem to an open ecosystem which may bring back many benefits; exploiting common customer data to develop together, creating a strong ecosystem for the bank, including basic banking services, additional banking services and non-banking services; Increasing service fees through the development of financial advisory services.

3.2. Solutions to handle bad debt

- Consolidating special working groups to develop overall solutions to handle and recover potential debts and bad debts with large outstanding loans.
- Reviewing bad debt records, comparing with regulations of Resolution 42 to determine their eligibility/ineligibility or eligibility upon supplementation of documents for application of Resolution 42; comprehensively applying the measures and policies specified in Resolution 42 and its revisions and relevant legal regulations in the process of bad debt recovery in order to effectively implement the target of bad debts handling and improving operational quality.
- Evaluating and applying appropriate customer support measures to overcome difficulties and develop production and business such as: debt restructuring, taking appropriate credit support measures, loan interest exemption and reduction according to regulations.
- Promoting bad debt handling according to the market mechanism: Along with proactively implementing synchronous measures to manage and handle bad debts as mentioned above, VietinBank shall actively review, consider and implement the bad debt sale schemes at market price to partners in need, especially to VAMC.
- Continuing to actively coordinate with local authorities and state agencies, especially the Public Security, People's Courts, and Judgment Enforcement agencies at all levels in the process of handling collateral for debt recovery, in order to ensure recover maximum debt value and limit damage to VietinBank.

- Strengthening internal communication in order to improve understanding of and agreement among relevant individuals and departments in VietinBank on solutions to handle bad debts at Resolution 42 (or revisions thereof).

3.3. Solutions for VietinBank Tower Projects

Regarding the amendments and supplements to the restructuring plan for the VietinBank Tower project (the Project), in 2022 and 2023, VietinBank has specifically reported and made proposals to the SBV and competent regulators. Based on feedback from regulators, VietinBank has developed/revised the restructuring plan for the VietinBank Tower project, specifically as follows:

a. Project Restructuring Plan based on either of following options:

- **Option 1:** Transferring the entire Project (including the case where VietinBank agrees with the Project Transferee on VietinBank leasing or purchasing the 68-storey tower, part of the podium area and part of the basement area from the Transferee to serve as the working office).
- **Option 2:** Continuing to invest and implement the Project according to the scale/adjusted scale as approved on the basis of revising the total investment capital (total investment amount) of the Project. Once the investment and construction are completed, VietinBank will lease or transfer, in full or in part, the 48-storey tower, podium and basement, retain the entire 68-storey tower as VietinBank's Head Office.

b. In implementation of the policy on Project Restructuring Plan, authorizing and delegating the BoD to consider and decide: the Project Restructuring Plan based on Option 01 or 02 as mentioned at point (a) in line with the situation and market demands; negotiate with related parties to secure legitimate rights and benefits of VietinBank, in particular:

- For Option 1: Authorizing and delegating the BoD to consider and decide the Project transfer method, ensuring publicity, transparency, and compliance with applicable laws; decide the Project transfer price as long as it is not lower than the investment cost as to the time of signing the Project transfer contract; decide the rental area, price or purchase of construction area in accordance with the market, legal regulations, needs and capabilities of VietinBank.
- For Option 2: Authorizing and delegating the BoD to consider and decide the total investment capital (total investment amount), scale/adjusted scale of the Project once approved by the competent State agency; decide necessary measures to implement the Project according to the scale/adjusted scale and timeline as approved.